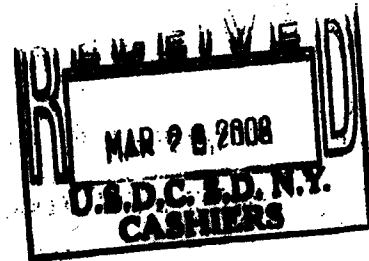


Michael S. Davis  
Greg M. Bernhard  
Mary G. McCarthy  
ZEICHNER ELLMAN & KRAUSE LLP  
575 Lexington Avenue  
New York, New York 10022  
(212) 223-0400



**JUDGE CEDARBAUM**

*Attorneys for Petitioners*

*National Union Fire Insurance Company of Pittsburgh, Pa.  
and American International South Insurance Company*

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

**08 CV 3147**

NATIONAL UNION FIRE INSURANCE COMPANY  
OF PITTSBURGH, PA. and AMERICAN  
INTERNATIONAL SOUTH INSURANCE COMPANY,

Case No.:

Petitioners,

**PETITION TO  
COMPEL ARBITRATION**

- and -

THE UNITED COMPANY,

Respondent.

National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union") and American International South Insurance Company ("AISIC") (collectively, the "AIG Companies"), on behalf of themselves and each of the related insurers that provided coverage to Respondent, by their attorneys, Zeichner Ellman & Krause LLP, as and for its petition to compel The United Company ("Respondent") to arbitrate, aver upon information and belief, as follows:

1. This Court has subject matter jurisdiction over this matter due to the diversity of citizenship of the parties, under 28 U.S.C. § 1332(a)(1). It is a dispute between citizens of different states and the amount in controversy is more than \$75,000.

2. Petitioner National Union is an insurance company licensed under the laws of Pennsylvania, with its principal place of business in the Southern District of New York.

3. Petitioner AISIC is an insurance company licensed under the laws of Pennsylvania, with its principal place of business in the Southern District of New York.

4. Upon information and belief, Respondent is a corporation organized and existing under the laws of Virginia, with its principal place of business in the State of Virginia.

5. Respondent is subject to the personal jurisdiction of this Court.

6. Respondent filed a complaint, dated March 7, 2008 (the "Complaint"), in the United States District Court for the Eastern District of Kentucky, Pikeville Division. A copy of the Complaint with exhibits is attached as Exhibit 1.

7. Respondent expressly agreed that "any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York." See, Exhibit 1 at Complaint 037.

8. The AIG Companies and Respondent have a business relationship that goes back a number of years. Respondent holds investments in the coal and energy business. Two of its subsidiaries, Sapphire Coal Company and Wellmore Coal Company, are engaged in the coal mining business in Kentucky and Virginia respectively.

9. In and around August or September 2006, Respondent began negotiations with the AIG Companies to consolidate its insurance programs for it and its subsidiaries into one loss sensitive, high deductible workers' compensation program. As a result, AISIC issued workers compensation policy # 720-94-31, effective November 1, 2006 to Respondent.

10. The parties also entered into a Payment Agreement between National Union and Respondent effective as of November 1, 2006 (the "2006 Payment Agreement"), a 2006 addendum to the Payment Agreement (the "2006 Addendum"), and certain addenda and schedules to the Payment Agreement (together with the policy, these documents establish the "Insurance Program" and these documents are referred to as the "Insurance Program Agreements") which, by their terms, govern Respondent's payment obligations and collateral requirements under the Insurance Program. Fully executed copies of the 2006 Payment Agreement and the 2006 Addendum were attached to Respondent's Complaint.

11. The 2006 Payment Agreement contains a broad arbitration clause (the "Arbitration Clause") by which the parties agreed that all unresolved disputes,

including the dispute underlying Respondent's Complaint, "must . . . be submitted to arbitration." See, Exhibit 1 at COMPLAINT 027. The Arbitration Clause, found under a bolded and capitalized heading which reads "**HOW WILL DISAGREEMENTS BE RESOLVED?**", is extremely expansive. It encompasses the instant dispute because it governs disputes related specifically to payment obligations, as well as "[a]ny other unresolved disputes arising out of this Agreement . . ." *Id.* Even though Respondent filed its Complaint in the Eastern District of Kentucky, the AIG Companies bring this motion to this Court pursuant to the terms of the 2006 Addendum which states "any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court . . . of competent jurisdiction in the City, County, and State of New York."<sup>1</sup> See, Exhibit 1 at COMPLAINT 037.

12. The Arbitration Clause provides:

**HOW WILL DISAGREEMENTS BE RESOLVED?**

**What if we disagree about payment due?**

If *You* disagree with us about any amount of *Your Payment Obligation* that we have asked *You* to pay, within the time allowed for payment *You* must:

- give us written particulars about the items with which *You* disagree; and
- pay those items with which *You* do not disagree.

We will review the disputed items promptly and provide *You* with further explanations, details, or corrections. *You*

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<sup>1</sup> The AIG Companies are simultaneously filing a motion for an extension of time to respond with the U.S. District Court for the E.D. Kentucky pending a decision from this Court.



must pay us the correct amounts for the disputed items within 10 days of agreement between *You* and us about their correct amounts. Any disputed items not resolved within 60 days after our response to *Your* written particulars must immediately be submitted to arbitration as set forth below. With our written consent, which shall not be unreasonably withheld, *You* may have reasonable additional time to evaluate our response to *Your* written particulars.

So long as *You* are not otherwise in default under this Agreement, we will not exercise our rights set forth under "What May We Do in Case of Default?", pending the outcome of the arbitration on the disputed amount of *Your* *Payment Obligation*.

**What about disputes other than disputes about payment due?**

Any other unresolved dispute arising out of this Agreement must be submitted to arbitration. *You* must notify us in writing as soon as *You* have submitted a dispute to arbitration. We must notify *You* in writing as soon as we have submitted a dispute to arbitration.

#### **Arbitration Procedures**

...

**Qualifications of arbitrators:** Unless *You* and we agree otherwise, all arbitrators must be executive officers or former executive officers of property or casualty insurance or reinsurance companies or insurance brokerage companies, or risk management officials in an industry similar to *Yours*, domiciled in the United States of America not under the control of either party to this Agreement.

**How the arbitration must proceed:** The arbitrators shall determine where the arbitration shall take place. The arbitration must be governed by the United States Arbitration Act, Title 9 U.S.C. Section 1, et seq. Judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

*You* and we must both submit our respective cases to the arbitrators within 30 days of the appointment of the third arbitrator. The arbitrators must make their decision within 60 days following the termination of the hearing, unless *You* and we consent to an extension. The majority decision of any two arbitrators, when filed with *You* and us will be final and binding on *You* and on us.

The arbitrators must interpret this Agreement as an honorable engagement and not merely a legal obligation. They are relieved of all judicial formalities. They may abstain from following the strict rules of law. They must make their award to effect the general purpose of this Agreement in a reasonable manner.

The arbitrators must render their decision in writing, based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross-examination and rebuttal must be allowed.

The arbitrators may award compensatory money damages and interest thereupon. They may order *You* to provide collateral to the extent required by this Agreement. They will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability. However, they will not have the power to award exemplary damages or punitive damages, however denominated, whether or not multiplied, whether imposed by law or otherwise.

**Expenses of Arbitration:** *You* and we must each bear the expense of our respective arbitrator and must jointly and equally bear with each other the expense of the third arbitrator and of the arbitration.

This Section will apply whether that dispute arises before or after termination of this Agreement.

Exhibit 1 at COMPLAINT 027-028 (emphasis added). The 2006 Addendum provides:

**How arbitrators must be chosen:** You must choose one arbitrator and we must choose another. They will choose

the third. If you or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make application only to a court of competent jurisdiction in the City, County, and State of New York. Similarly, any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York.

Exhibit 1 at COMPLAINT 037 (emphasis added).

13. On or about March 7, 2008, Respondent filed the Complaint asserting claims for return of all premium and security delivered to the AIG Companies pursuant to the 2006 Payment Agreement. Premium and security are expressly governed by the 2006 Payment Agreement containing the broad Arbitration Clause.

14. The allegations in the Complaint relate entirely to Respondent's demand for return of premium and collateral as governed by the 2006 Payment Agreement. In Count I, notwithstanding that Respondent acknowledges signing the 2006 Payment Agreement (and even attaches it to the Complaint), Respondent seeks a declaratory judgment that no insurance contracts existed. In Count II, Respondent seeks "restitution" for a "pro-rated portion of all premium payments" made pursuant to the 2006 Payment Agreement. Count III seeks a "release" of a letter of credit premium delivered pursuant to the 2006 Payment Agreement. Count IV asserts a claim of unjust enrichment and seeks of return of the same premiums paid pursuant to the 2006 Payment Agreement.

Count V seeks damages for alleged breach of the “duty of good faith and fair dealing under the laws of the Commonwealth of Kentucky as well as other states’ laws.” And Count VI appears to seek an order directing the AIG Companies to “comply with” a purported order issued by the Kentucky Office of Workers’ Claims in connection with the policies governed by the 2006 Payment Agreement.

15. The disputes alleged in the Complaint are subject to the broad Arbitration Clause.

16. To the extent Respondent contests that the disputes alleged in the Complaint are subject to arbitration, the Arbitration Clause expressly provides that: “They [the arbitrators] shall have exclusive jurisdiction over the entire matter in dispute, including any questions as to arbitrability.” Exhibit 1 at COMPLAINT 028.

17. No previous request has been made for the relief requested herein.

WHEREFORE, the AIG Companies respectfully request that this Court  
compel Respondent to arbitrate the disputes asserted in the Complaint.

Dated: New York, New York  
March 27, 2008

ZEICHNER ELLMAN & KRAUSE LLP

By Michael S. Davis (M.M.C.)  
Michael S. Davis  
Greg M. Bernhard  
Mary G. McCarthy  
Attorneys for Petitioners  
575 Lexington Avenue  
New York, New York 10022  
(212) 223-0400

8-00043

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF KENTUCKY  
PIKEVILLE DIVISION**

**The United Company**  
1005 Glenway Avenue  
Bristol, VA 24201-3473

**Sapphire Coal Company**  
147 Big Blue Blvd.  
Whitesburg, KY 41858

**Wellmore Coal Company**  
P.O. Box 458  
Big Rock, VA 24603-0458

Plaintiffs

- vs. -

**American International Group, Inc. a/k/a  
American International South Insurance  
Company**  
70 Pine Street  
New York, New York 10270

**Imperial A.I. Credit Companies d/b/a  
A.I. Credit Corporation**  
101 Hudson Street  
Jersey City, New Jersey 07302

**National Union Fire Insurance Company of  
Pittsburgh, Pennsylvania**  
70 Pine Street  
New York, New York 10270

Defendants

**COMPLAINT**

**JURY DEMAND**

### **INTRODUCTION**

This is a dispute about workers' compensation insurance coverage which was never provided and does not presently exist. The insurance company, however, continues to wrongfully withhold the release of more than \$3 million of its putative policyholder's money and is demanding additional premium payments.

Now come Plaintiffs, The United Company ("United") and its affiliate companies Sapphire Coal Company ("Sapphire") and Wellmore Coal Company ("Wellmore") (collectively "Plaintiffs"), by and through Counsel, for their Complaint against Defendants American International Group, Inc., a/k/a/ American International South Insurance Company, the financing arm of American International Group, Inc., known as Imperial A.I. Credit Companies d/b/a A.I. Credit Corporation ("A.I. Credit"), and National Union Fire Insurance Company of Pittsburgh, Pennsylvania ("National Union/AIG") (a member company of American International Group, Inc.) (collectively "AIG") which state and aver as follows:

### **THE PARTIES**

1. United is a Virginia corporation that holds investments in the coal and energy business. United is the majority owner of United Coal Company, LLC, a Virginia limited liability company ("UCC"). UCC mines and sells high grade steam and metallurgical coals through its subsidiary companies in Virginia, Kentucky, and West Virginia, and has its principal place of business in the Commonwealth of Virginia.

2. UCC is comprised of four subsidiary companies: Carter Roag Coal Company, Pocahontas Coal Company, Sapphire, and Wellmore.

3. Sapphire is a subsidiary of UCC, and is engaged in the coal mining business in the Commonwealth of Kentucky, specifically in Letcher County.

4. Wellmore is a subsidiary of UCC and is engaged in the coal mining business in the Commonwealth of Virginia.

5. American International Group, Inc. a/k/a American International South Insurance Company is, upon information and belief, a corporation organized and existing under the laws of the State of Delaware, with its principal place of business located at 70 Pine Street, New York, New York 10270, and which transacts business throughout the United States, including in the Commonwealth of Kentucky.

6. A.I. Credit is, upon information and belief, a member company of American International Group, Inc. and provides American International Group, Inc.'s premium financing services. A. I. Credit transacts business throughout the United States, including in the Commonwealth of Kentucky, and has its principal place of business located at 101 Water Street, Jersey City, New Jersey 07302.

7. National Union is, upon information and belief, a subsidiary company of American International Group, Inc. It transacts business throughout the United States, including in the Commonwealth of Kentucky, and has its principal place of business also located at 70 Pine Street, New York, New York 10270.

#### **JURISDICTION AND VENUE**

8. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1332(a)(1) because complete diversity exists and the amount in controversy exceeds \$75,000, exclusive of interests and costs.

9. This Court has personal jurisdiction over AIG because AIG, its subsidiaries and agents transact business in Kentucky, providing insurance and related services in this state.



10. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391, as a substantial part of the events and injuries giving rise to this cause of action, including determinations by duly authorized state insurance regulators, occurred in this judicial district.

**FACTS COMMON TO ALL COUNTS**

11. In 2004 and 2005, AIG provided workers' compensation coverage to Sapphire and Wellmore.

12. On or about September 2006 and based, in part, on their past favorable claims history, Plaintiffs began negotiations with AIG by requesting information on workers' compensation coverage for their business, specifically for their coal operations in Kentucky and Virginia, through UCC's insurance brokers, Acordia West Virginia. The coverage anticipated would have involved a significant change from previous coverage obtained from AIG and significantly increased the deductible applicable to the coverage. Such anticipated coverage required considerable negotiation and reduced the premiums.

13. On or about November 14, 2006, AIG sent a Payment Agreement to Plaintiffs and sought a \$626,000 down payment on the workers' compensation policy premium and \$2,323,000 in a letter of credit from United in anticipation of completing a high deductible workers' compensation policy as the parties had been discussing. A copy of the Payment Agreement is attached hereto, made a part hereof for all purposes and is labeled Exhibit A for identification. The letter of credit from United was intended by AIG to cover anticipated workers' compensation claims that would be made by employees of Sapphire and Wellmore due to incidents occurring during the period of November 1, 2006 through October 31, 2007.

14. On or about November 17, 2006, Acordia West Virginia sent Plaintiffs a "recap" of an insurance coverage proposal from AIG. The proposal failed to include certain essential terms of the agreement, including the so-called proposed cross-collateralization

agreement (the "Proposed Cross-Collateralization Agreement"). A copy of such insurance coverage proposal is attached hereto, made a part hereof for all purposes and is labeled Exhibit B for identification. See also the Index of Exhibits attached hereto, including Exhibits C and D, respectively, an insurance policy "binder" describing the proposed workers' compensation coverage prepared by AIG's Les Lappe and dated November 1, 2006 and the putative insurance policy with number: WC 720-94-31 which was included with an Acordia "Insurance Program Policy Kit" dated January 19, 2007. Exhibits C and D are made a part hereof for all purposes.

15. Upon information and belief, AIG sent the Proposed Cross-Collateralization Agreement to Plaintiffs in January 2007 and requested Plaintiffs' signature on the document. The Proposed Cross-Collateralization Agreement indicated that the terms would be effective going back to November 1, 2006, and that the terms applied between AIG, and Plaintiffs. A copy of said **unsigned** Proposed Cross-Collateralization Agreement is attached hereto, made a part hereof for all purposes and labeled Exhibit E for identification. The Proposed Cross-Collateralization Agreement was never signed or agreed to by Plaintiffs.

16. On or about December 31, 2006, without having agreed to any cross-collateralization agreement and under the expectation that the parties would negotiate in good faith regarding the terms of the insurance policy contract, including the Proposed Cross-Collateralization Agreement, Plaintiffs provided AIG with Letters of Credit in the amount of \$2,323,000.

17. On or about December 31, 2006, without having agreed to any cross-collateralization agreement and under the expectation that the parties would negotiate in good faith regarding the terms of the insurance policy contract, including the Proposed Cross-

Collateralization Agreement, Plaintiffs provided AIG with a premium payment in the amount of \$626,000.

18. To date, Plaintiffs have paid AIG the initial \$626,000 premium payment, as well as two subsequent additional payments of \$258,363.44 for a total of \$1,142,726.88 in premium payments.

19. On or about January 25, 2007 Plaintiffs contacted AIG via e-mail and, among other things, stated that the terms of the Proposed Cross-Collateralization Agreement were unacceptable. A copy of said e-mail is attached hereto, made a part hereof for all purposes and labeled Exhibit F for identification.

20. By e-mail dated February 14, 2007, a representative of AIG's Global Energy and Marine Department threatened in an email that AIG would call in United's Letter of Credit on February 16, 2007 if United did not accept the terms of AIG's Proposed Cross-Collateralization Agreement. A copy of said e-mail is attached hereto, made a part hereof for all purposes and labeled Exhibit G for identification.

21. The February 14, 2007 e-mail was sent by AIG more than three months after the purported inception of the new AIG workers' compensation insurance program. In the e-mail, AIG's representative stated, "One [sic] we receive from United the signed [C]ross-[C]ollateralization Agreement or AIG will send out a bill for the amount of the current Letter of Credit . . . . Tom [Griffin, United's Vice President of Risk Management], we value our relationship with you and United but, in this situation we MUST have the signed Proposed Cross-Collateralization agreement – PERIOD" (emphasis in original).

22. AIG's representative also told Plaintiffs that if Plaintiffs did not assent to the sign Proposed Cross-Collateralization Agreement, the coverage would revert to a full

manuscript program at much greater expense, negating the economic benefit of the deductible mechanisms that Plaintiffs had negotiated for months.

23. Plaintiffs never agreed to the terms of the Proposed Cross-Collateralization Agreement and, thus, did not sign the document as requested by AIG.

24. Because of AIG's threats, including, but not limited to, its statement that AIG would call in United's letter of credit and change the terms of the proposed workers' compensation policy to a full manuscript policy at a much higher premium, Plaintiffs sought alternative workers' compensation insurance coverage to protect their interests. On March 16, 2007, Plaintiffs entered into an insurance agreement with Old Republic Insurance Company ("Old Republic"), whereby Old Republic provided workers' compensation coverage to Plaintiffs effective November 1, 2006. Among other things, such insurance agreement rendered the proposed AIG insurance policy coverage unnecessary and redundant.

25. By letter dated March 20, 2007, Plaintiffs (through Underwriters Safety & Claims, their broker on the Old Republic Policy ("Underwriters")) formally notified AIG of Plaintiffs' workers' compensation insurance agreement with Old Republic. Such letter stated that Underwriters "will be taking over all claim service with claims with dates of occurrence after November 1, 2006." Plaintiffs accordingly requested "the return of the associated letters of credit and premium for the period of time beginning November 1, 2006." A copy of said letter is attached hereto, made a part hereof for all purposes and is labeled Exhibit H for identification.

26. By letter dated April 19, 2007, Old Republic, to avoid any potential confusion and at Plaintiffs' request, sent notice to the Commonwealth of Virginia's Workers' Compensation Commission, informing the commission of Plaintiffs' insurance agreement with Old Republic as of the November 1, 2006 inception date. A copy of said letter is attached

hereto, made a part hereof for all purposes and is labeled Exhibit I for identification. The stated purpose of this letter was “to remove any confusion the Virginia Workers Compensation Commission may have that duplicate coverage is in effect.”

27. A similar notification was provided to the United States Department of Labor.

28. By letter dated April 24, 2007, Old Republic, to avoid any potential confusion and once again at Plaintiffs’ request and pursuant to KRS § 342.340(2), sent notice to the Commonwealth of Kentucky’s Office of Workers’ Claims, informing the agencies of Plaintiffs’ insurance agreement with Old Republic as of the November 1, 2006 inception date. A copy of said letter is attached hereto, made a part hereof for all purposes and is labeled Exhibit J for identification. The stated purpose of this letter was “to remove any confusion the Kentucky Office of Worker Claims may have that duplicate coverage is in effect.”

29. On or about May 10, 2007, the Commonwealth of Kentucky’s Office of Workers’ Claims, through its General Counsel, Carla H. Montgomery, issued a letter to AIG’s Louisville, Kentucky office requiring AIG to file a notice of cancellation with the Office of Workers’ Claims, effective November 1, 2006, or be subject to civil penalties under KRS § 342.990(7)(c). A copy of said letter from the Kentucky Office of Workers’ Claims is attached hereto, made a part hereof for all purposes and labeled Exhibit K for identification. Specifically, such letter stated that “[p]ursuant to KRS § 342.340(2) and KAR § 25:175, AIG is required to file a notice of cancellation with the Office of Workers’ Claims . . . . Please immediately file the appropriate documents with our agency to avoid a potential civil penalty.”

30. To date, AIG has not filed the necessary papers as directed by the Commonwealth of Kentucky.

31. Upon information and belief, AIG has taken no steps to handle or otherwise manage any claims under the alleged workers' compensation insurance.

32. AIG has, however, upon information and belief, wrongfully pursued a strategy to avoid a resolution, avoid a return of premium paid for insurance coverage which never existed, and improperly maintain a letter of credit posted by United, all in order to serve its own interests and enrich itself at the expense of Plaintiffs.

33. Because, among other reasons, AIG failed to respond to the Kentucky Office of Workers' Claims and has failed to take reasonable steps to address these matters, on or about June 7, 2007, Plaintiffs provided AIG with a "No Claims Letter." Plaintiffs prepared and sent such letter at the request of AIG in a good faith attempt to resolve these matters and to further document that AIG had not paid any claims as of the date of the letter, and would likewise not be "on risk" for any claims thereafter. Plaintiffs took the added steps of providing AIG with full indemnity, to clarify and release AIG's potential liability for future claims possibly associated with the period between November 1, 2006 and March 16, 2007 (the time period between alleged inception of the AIG coverage and the date upon which Plaintiffs entered into an insurance agreement with Old Republic providing workers' compensation coverage retroactive to November 1, 2006). A copy of said No Claims Letter is attached hereto, made a part hereof for all purposes and labeled Exhibit L for identification.

34. AIG sent a Notice of Intent to Cancel Insurance Policies dated July 10, 2007 to Plaintiffs. A copy of such document is attached hereto, made a part hereof for all purposes and labeled Exhibit M for identification.

35. AIG does not face any potential claims or liability for the period between November 1, 2006 and March 16, 2007. No insurance policy contract was accepted and

finalized between Plaintiffs or any of them and AIG. This has been recognized and acknowledged by the Commonwealth of Kentucky.

36. The present or known workers' compensation claims asserted against Sapphire and/or Wellmore during the period between November 1, 2006 and March 16, 2007 are mostly minor in nature, typically do not involve significant time off from work by claimants, and are all covered by Old Republic, not AIG.

37. Even if, for the sake of argument, a valid workers' compensation insurance policy contract existed between Plaintiffs and AIG, which Plaintiffs deny, AIG does not have risk under the purported policy and any alleged contract fails for lack of consideration.

38. In the alternative, even if, for the sake of argument, AIG accepted risk for a limited period pursuant to a valid workers' compensation insurance policy contract between Plaintiffs and AIG, which Plaintiffs deny:

- (a) AIG's failure to: (i) follow the directive of the Commonwealth of Kentucky, Office of Workers' Claims; (ii) avoid engaging in unfair trade practices; and (iii) avoid engaging in bad faith actions by refusing to address the matters discussed above appropriately, subjects AIG to sanctions and voids and negates any of AIG's potential defenses or counterclaims to Plaintiffs' allegations herein; and
- (b) AIG has been unjustly enriched and fundamental fairness and equity require that AIG disgorge all premium payments it received less any applicable cancellation penalties or pro-rated amounts; and
- (c) Fundamental fairness and equity require that AIG release any claim it asserts against Plaintiffs' collateral in the form of Letters of Credit.

**COUNT ONE**

**Declaratory Judgment: No Contract Existed**

39. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 38 above as if fully set forth herein, verbatim.

40. AIG, an insurance company, was required to provide the purported insurance policy terms and conditions in their entirety in order to form a valid contract.

41. AIG failed to provide essential terms of the policy (including the Proposed Cross-Collateralization Agreement) in a timely manner.

42. AIG did not provide the Proposed Cross-Collateralization Agreement until more than two months after the purported insurance policy allegedly went into effect.

43. Upon receipt of the Proposed Cross-Collateralization Agreement, Plaintiffs refused to sign the document and enter into a contract with AIG, as Plaintiffs never agreed to AIG's proposed terms.

44. The Proposed Cross-Collateralization Agreement was a central element of the proposed workers' compensation insurance policy. Without Plaintiffs' agreement to the Proposed Cross-Collateralization Agreement there was no meeting of the minds sufficient to form a valid insurance contract.

45. In the alternative, AIG does not have risk under the purported insurance policy despite receiving Plaintiffs' down payment, premium payments and Plaintiffs' Letters of Credit. Accordingly, any alleged insurance contract would fail for want of consideration.

46. Wherefore, Plaintiffs seek a judicial declaration by the Court that there was no meeting of the minds and, therefore, no valid insurance contract between Plaintiffs and AIG reached for the period of November 1, 2006 through November 1, 2007.

47. In the alternative, Plaintiffs seek a judicial declaration by the Court that there was no valid insurance contract between Plaintiffs and AIG for the period of November 1, 2006 through November 1, 2007, for want of consideration on the part of AIG.



**COUNT TWO**  
**Restitution Of The Insurance Premiums**

48. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 47 above as if fully set forth herein, verbatim.

49. There was no valid insurance contract between Plaintiffs, on the one hand, and AIG on the other, for the period of November 1, 2006 through November 1, 2007.

50. Wherefore, Plaintiffs seek an order of restitution directing AIG immediately to return all premium payments and accrued interest to Plaintiffs.

51. In the alternative, Plaintiffs seek an order of restitution directing AIG immediately to return a pro-rated portion of all premium payments and accrued interest to Plaintiffs to reflect the period (November 1, 2006 to March 16, 2007) that AIG insurance coverage allegedly was in effect.

**COUNT THREE**  
**Release of the Letter(s) of Credit**

52. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 51 above as if fully set forth herein, verbatim.

53. There was no valid insurance contract between Plaintiffs on the one hand, and AIG on the other, for the period of November 1, 2006 through November 1, 2007.

54. In the above referenced No Claims Letter, Plaintiffs unilaterally have agreed to fully indemnify and release AIG with respect to any AIG potential liability for future workers' compensation claims possibly associated with the period between November 1, 2006 and March 16, 2007.

55. Wherefore, Plaintiffs seek an order directing AIG immediately to release and return the Letter of Credit to Plaintiffs which Letter of Credit AIG wrongfully has failed to return.

**COUNT FOUR**  
**Unjust Enrichment**

56. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 55 above as if fully set forth herein, verbatim.

57. There was no valid insurance contract between Plaintiffs on the one hand, and AIG on the other, for the period of November 1, 2006 through November 1, 2007.

58. In good faith, Plaintiffs made premium payments in anticipation of obtaining workers' compensation insurance coverage from AIG for the period of November 1, 2006 through November 1, 2007. Despite making premium payments, and negotiating with AIG towards a mutually acceptable workers' compensation insurance policy for the period of November 1, 2006 through November 1, 2007, the parties never finalized such a contract, and Plaintiffs never received the benefit of such a policy.

59. AIG never assumed any risk and therefore never provided Plaintiffs with workers' compensation insurance coverage for the period of November 1, 2006 through November 1, 2007.

60. AIG has been unjustly enriched by receiving the benefit of premium payments from Plaintiffs, while not providing insurance coverage or claims handling services to Plaintiffs.

61. Wherefore, in conjunction with, or as an alternative to, restitution, Plaintiffs seek an award against AIG for a sum equal to the amount of premiums paid without receiving insurance coverage, including any interest accrued thereon in the amount in which AIG was unjustly enriched.

**COUNT FIVE**

**Breach of the Duty of Good Faith and Fair Dealing**

62. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 61 above as if fully set forth herein, verbatim.

63. In the alternative, Plaintiffs plead as follows: AIG, as an insurance provider, is required to act in good faith, cannot place its own interests above the interests of its policyholders, and must provide insurance coverage in an equitable and honest manner.

64. The duty of good faith and fair dealing prevents AIG from taking any action which would deprive Plaintiffs of the benefits of any contract between AIG and Plaintiffs or to cause undue hardship to Plaintiff.

65. AIG has pursued an improper strategy of delay designed to further its own interests improperly at the expense of Plaintiffs.

66. Generally as an insurance company and in the event that the Court determines that a valid contract did exist between AIG and Plaintiffs, AIG owes a duty of good faith and fair dealing to Plaintiffs under applicable law, including, without limitation, KRS § 304.12-230.

67. Generally and in the event that the Court determines that a valid contract did exist between AIG and Plaintiffs, AIG breached its duty of good faith and fair dealing under the laws of the Commonwealth of Kentucky as well as other states' laws in, among other things, the following respects:

- (a) Failing to provide essential contract language prior to entering into an agreement with Plaintiffs;
- (b) Refusing to negotiate in good faith regarding the Proposed Cross-Collateralization Agreement;
- (c) Threatening a "take it or leave it" scenario while negotiating the terms of the Proposed Cross-Collateralization Agreement;

- (d) Refusing to cancel the purported policy as requested by Plaintiffs and directed by the Commonwealth of Kentucky's Department of Workers' Claims, pursuant to KRS § 342.880(7)(c);
- (e) Refusing to respond to or otherwise directly address the Commonwealth of Kentucky's stated concerns;
- (f) Failing to return unearned premiums;
- (g) Wrongfully failing to release the Letter(s) of Credit; and
- (h) Forcing Plaintiffs to resort to litigation in order to clarify the status of their relationship with AIG.

68. Wherefore, Plaintiffs seek consequential and exemplary damages because of AIG's violation of the covenant of good faith and fair dealing and its wanton and reckless disregard for the right and property of others.

**COUNT SIX**

**AIG Must Comply With Order Issued by Kentucky's Office of Workers' Claims**

69. Plaintiffs restate and incorporate by reference the allegations set forth in Paragraphs 1 through 68 above as if fully set forth herein, verbatim.

70. AIG, as a corporation doing business in the Commonwealth of Kentucky, is required to adhere to the state's laws and regulations.

71. The Commonwealth of Kentucky, through its Office of Workers' Claims, issued a directive on May 10, 2007, ordering AIG to file a notice of cancellation for its insurance policy with Plaintiffs, or be subject to civil penalties under KRS § 342.990(7)(c).

72. AIG has failed to comply with such directive and has not filed a notice of cancellation of Plaintiffs' policy consistent therewith.

73. Wherefore, Plaintiffs seek an order from the Court requiring AIG to comply with the Commonwealth of Kentucky's above directive.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs, The United Company, Sapphire Coal Company and Wellmore Coal Company, pray for judgment on all counts and seek relief as follows:

1. With respect to the First Count, Plaintiffs seek a judicial declaration, pursuant to 28 USC § 2201 that because, among other reasons, Plaintiffs did not agree to the terms of the Proposed Cross-Collateralization Agreement, there was no meeting of the minds or acceptance, and thus no workers' compensation insurance policy agreement between Plaintiffs and AIG. Furthermore, because no contract existed between the parties, Plaintiffs seek the immediate return of any and all funds exchanged between or withheld on behalf of the parties, including but not limited to insurance premiums paid (including any interest accrued at the prevailing statutory rate) and release of the Letter(s) of Credit.

2. With respect to the Second Count, Plaintiffs seek an order against AIG immediately awarding Plaintiffs a sum equal to the amount of premiums paid, including any interest accrued at the prevailing statutory rate.

3. With respect to the Third Count, Plaintiffs seek an order against AIG requiring the immediate release and return to Plaintiffs of the Letter(s) of Credit.

4. With respect to the Fourth Count, Plaintiffs seek an order against AIG immediately awarding Plaintiffs a sum equal to the amount of premiums paid, including any interest accrued at the prevailing statutory rate.

5. With respect to the Fifth Count Plaintiffs seek compensatory, statutory and exemplary damages in an amount to be proven at trial as well as immediate return of all premiums with interest and release and return of the Letter(s) of Credit.

6. With respect to the Sixth Count, Plaintiffs seek an order from the Court requiring AIG immediately to comply with the Commonwealth of Kentucky's directive ordering

AIG to file a notice of cancellation as of November 1, 2006 to, among other things, clarify any potential confusion AIG may have created or has sought to capitalize upon.

7. With respect to all counts, Plaintiffs respectfully request the following:
- (a) A judgment directing AIG's immediate disgorgement of Plaintiffs' insurance premium payments (including any interest accrued);
  - (b) A judgment directing AIG's immediate release and return of Plaintiffs' \$2,323,000 Letter(s) of Credit;
  - (c) Compensatory, statutory and exemplary damages in an amount to be established at trial;
  - (d) Costs and expenses of this action including reasonable attorney's fees as well as post and pre-judgment interest;
  - (e) A trial by jury of all issues triable of right by a jury; and
  - (f) All other relief such as this Court deems just and equitable.

March 7, 2008

Respectfully submitted,

/s/ Samuel D. Hinkle IV

Samuel D. Hinkle IV, Esq.

Adam T. Goebel, Esq.

STOLL KEENON OGDEN PLLC

2000 PNC Plaza

500 West Jefferson Street

Louisville, KY 40202-2828

Telephone: (502) 333-6000

Facsimile: (502) 562-0909

John G. Nevius, Esq., P.E.

Greg Hansen, Esq.

ANDERSON KILL & OLICK, P.C.

1251 Avenue of the Americas

New York, NY 10020

Telephone: (212) 278-1000

Facsimile: (212) 278-1733

Attorneys for Plaintiffs

018133.129182/514097.1

**INDEX OF EXHIBITS**

- A. Payment Agreement for Insurance and Risk Management Services between National Union Fire Insurance Company of Pittsburgh, Pa., et al. and The United Company dated November 14, 2006.
- B. Four-page “recap” of an insurance proposal dated November 17, 2006.
- C. Insurance policy “binder” describing the proposed workers’ compensation coverage prepared by AIG’s Les Lappe and dated November 1, 2006.
- D. Putative insurance policy with number: WC 720-94-31 included with an “Insurance Program Policy Kit” dated January 19, 2007.
- E. Proposed Cross-Collateralization Agreement between National Union and Plaintiffs to be effective November 1, 2006.
- F. String e-mail dated January 25, 2007 from Thomas Griffin, Vice President of Risk Management at The United Company to Glenn McQuate of Acordia West Virginia Re: “United/Sapphire [Proposed] Cross-Collateralization Agreement – Problems.”
- G. String e-mail dated February 14, 2007 from Harry Horner, Senior Vice President of AIG Global Energy Casualty, to Mr. Griffin, Re: “AIG [Proposed] Cross-Collateralization Agreement.”
- H. Letter dated March 20, 2007 from Jack Stewart, Executive Vice President of Underwriters Safety and Claims to Jim Bill Harvey, Senior Managing Vice President of Acordia, West Virginia, Re: “United Coal Company LLC, et al.”
- I. Letter dated April 19, 2007 from Robert Lloyd, Assistant Vice President, Old Republic Insurance Company to Virginia Workers Compensation Commission Re: United Coal, LLC.
- J. Letter dated April 24, 2007 from Robert Lloyd, Assistant Vice President of Old Republic Insurance Company to Carla Montgomery, Kentucky Office of Workers Claims, Re: United Coal, LLC.
- K. Letter dated May 10, 2007 from Ms. Montgomery, General Counsel, Environmental and Public Protection Cabinet, to AIG regarding filing of notice of cancellation.
- L. Letter dated June 7, 2007 from Mr. Griffin to Thomas Morelli, President, AIG Global Marine & Energy, AIG Global Energy Casualty, Re: The United Company No Claims Letter.
- M. Notice of Intent to Cancel Insurance Policies dated July 10, 2007 from AIG’s premium financing subsidiary, A.I. Credit a/k/a AICCO, Inc.

# EXHIBIT A



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## PAYMENT AGREEMENT

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For

### Insurance and Risk Management Services

effective on the 01 day of November, 2006

by and between us,

National Union Fire Insurance Company of Pittsburgh, Pa.  
On behalf of itself and all its affiliates including, but not limited to:

American Home Assurance Company  
The Insurance Company of the State of Pennsylvania  
National Union Fire Insurance Company of Pittsburgh, Pa.  
Commerce and Industry Insurance Company  
Birmingham Fire Insurance Company  
Illinois National Insurance Company  
American International South Insurance Company  
AIU Insurance Company  
American International Pacific Insurance Company  
Granite State Insurance Company  
Landmark Insurance Company  
National Union Fire Insurance Company of Louisiana  
New Hampshire Insurance Company

And You, our Client

**THE UNITED COMPANY**  
**1005 GLENWAY AVENUE**  
**BRISTOL VA 24201**

In consultation with Your representative

**ACORDIA OF WV-BLUEFIELD**  
**320 FEDERAL ST**  
**BLUEFIELD WV 24701-3006**

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1/20/07  
cc Kenny D  
Anita G

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## PAYMENT AGREEMENT

### WHO HAS AGREED TO THIS AGREEMENT?

This Agreement is between:

- You, the organization(s) named as "our Client" in the *Schedule*, and
- us, the insurer(s) named in the *Schedule*.

The words "we", "us" and "our" in this Agreement refer to the insurer(s) named in the *Schedule*.

### WHAT HAVE YOU AND WE AGREED TO?

We have agreed to the following:

- to provide You insurance and services according to the *Policies* and other agreements; and
- to extend credit to You by deferring our demand for full payment of the entire amount of Your *Payment Obligation* if You make partial payments according to this Agreement.

To induce us to agree as above,

You have agreed to the following:

- to pay us all Your *Payment Obligation* and to perform all Your other obligations according to this Agreement and *Schedule* for all entities covered by the *Policies*;
- to provide us with collateral according to this Agreement and *Schedule*;

### WHEN DOES THIS AGREEMENT BEGIN?

This Agreement begins on the Effective Date shown in the first page (the title page) of this Agreement. Unless otherwise agreed in writing, this Agreement will also apply to any *Policies* and *Schedules* that we may issue as renewals, revisions, replacements or additions to the attached *Schedule* and the *Policies* listed there.

### WHEN WILL THIS AGREEMENT END?

This Agreement will end only after You and we have settled and paid all obligations between You and us relating to this Agreement. Neither You nor we may cancel this Agreement without the other's consent.

### WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?

Words with special meanings in the *Policies* have the same meanings in this Agreement as they have in the *Policies*. Non-italicized capitalized words in this Agreement are defined in the *Policies*, or their meanings are otherwise described in this Agreement.

The following are definitions of other special words. Terms printed in this Agreement in *italics* have the meanings described below.

1. "ALAE" means Allocated Loss Adjustment Expense as defined in the *Policies*.
2. "Deductible Loss Reimbursements" means the portion of any *Loss* and *ALAE* we pay that You must reimburse us for under any "Deductible" or "Loss Reimbursement" provisions of a *Policy*.
3. "Loss" or "Losses" means damages, benefits or indemnity that we become obligated under the terms of the *Policies* to pay to claimants.
4. "Policy" or "Policies" means:
  - any of the insurance *Policies* described by their *Policy* numbers in the *Schedule*, and their replacements and renewals;
  - any additional insurance *Policies* that we may issue to You that You and we agree to make subject to this Agreement.
5. "Retained Amount" or "Retention" means one of the following:
  - Self-Insured Retention: the amount specified in the applicable *Policy* as Your Self-Insured Retention per occurrence, accident, offense, claim or suit; or
  - Deductible: the amount specified in the applicable *Policy* as the Reimbursable or Deductible portion of *Loss* per occurrence, accident, offense, claim or suit; or
  - Loss Limit: the portion of any *Loss* we pay because of an occurrence, offense, accident, claim or suit, that we will include in the computation of the premiums.

## PAYMENT AGREEMENT

The *Policies* show the type of *Retention* that applies to any specific occurrence, offense, accident, claim or suit.

6. "Schedule" means each of the attachments to this Agreement that describes specific elements of the Agreement for a specified period of time. Each *Schedule* is a part of this Agreement. Additional *Schedules* or amendments to *Schedules* may be attached to this Agreement from time to time by mutual agreement between You and us.
7. "You" or "Your" means the person or organization named as our Client in the title page of this Agreement, its predecessor and successor organizations, and each of its subsidiary, affiliated or associated organizations that are included as Named Insureds under any of the *Policies*. Each is jointly and severally liable to us for the entire amount of *Your Payment Obligation*.
8. "Your Payment Obligation" means the amounts that You must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance *Policies* and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
  - the premiums and premium surcharges,
  - *Deductible Loss Reimbursements*,
  - any amount that we may have paid on Your behalf because of any occurrence, accident, offense, claim or suit with respect to which You are a self-insurer,
  - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as You and we may agree from time to time.

**Loss Reserves:** *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for Loss and ALAE. Those reserves shall include specific reserves on known Losses and ALAE, reserves for incurred but not reported Losses and ALAE, and reserves for statistically expected development on Losses and ALAE that have been reported to us. Any Loss development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon Your cumulative Loss and ALAE history.

## WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?

**Amounts:** We will calculate *Your Payment Obligation* according to the methods stated in the *Policies* and any other similar primary casualty insurance *Policies* and agreements between us.

You must abide by the results under this Agreement of any payment of Loss or ALAE that the claims service provider or we shall have made in the absence of negligence and in good faith under any of the *Policies*.

**Credit:** Credit is extended to You whenever Your payment of some or all of *Your Payment Obligation* is postponed beyond the effective date of the insurance *Policies* to which such obligations pertain. Any extension of unsecured credit to You under this Agreement is extended only for the duration of the *Policy* year for which it is extended. It is subject to review and revision or withdrawal at each anniversary of this Agreement or at other times in accordance with the terms of this Agreement. Any extension of credit to You under this Agreement, including any deferral or waiver of the collection of collateral from You is not an assumption by us of any of Your obligations to us. Any extension of credit to You does not limit our right to enforce Your performance under this Agreement.

A Credit Fee may be charged for any unsecured credit extended to You. The Credit Fee, if any, is shown in the *Schedule*. Any such Credit Fee is an annual fee and applies only to the *Policy* year to which such *Schedule* applies. A renewal Credit Fee may be charged for the period of any renewed extension of unsecured credit, and shall be shown in the *Schedule* pertaining thereto.

Payment of the Credit Fee, if any, is neither payment of premium for insurance of any kind nor payment of *Deductible Loss Reimbursements*.

## WHEN MUST YOU PAY YOUR PAYMENT OBLIGATION?

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or Your evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment.

## WHAT IS THE PAYMENT PLAN?

**PAYMENT AGREEMENT**

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**Deposit and Installments**

You must pay us a Deposit and Installments in the amounts and by the dates shown in the *Schedule* for the *Policies* described in the *Schedule*.

**Claims Payment Deposit:** If so shown in the *Schedule*, the Deposit includes a Claims Payment Deposit. The Claims Payment Deposit will not bear interest. We will return the amount of the Claim Payment Deposit to You when You have paid us all amounts due us.

If the total amount of claims we shall have paid on Your behalf exceeds the sum of the Claims Payment Deposit for three (3) consecutive billing periods, we may require You to pay us additional funds for the Claims Payment Deposit. However, the entire Claims Payment Deposit shall not exceed 250% of the average amount of the claims we had paid in each of the prior 3 periods.

**Additional Payments**

You must also make payments in addition to the Deposit and Installments according to the Payment Method described under "Additional Payments" in the *Schedule*.

**WHAT IS THE BILLING METHOD?**

**Deposit and Installments:** You must pay us the amounts shown in the *Schedule* as "Installments". You must pay us those amounts by their Due Dates shown there.

**Additional Payments:** You have chosen the Direct Billing Method or the Automatic Withdrawal Method, or a combination of both. Your choice is shown in the *Schedule*.

**Direct Billing Method**

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will further bill You as necessary for the payment of Losses we must pay or have paid within Your *Retention* and Your share of *ALAE* covered by the *Policies*. We will not bill more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

**Automatic Withdrawal Method**

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will draw funds from the "Automatic Withdrawal Account" described in the *Schedule* as necessary for the payment of Losses within Your *Retention* and Your share of *ALAE* covered by the *Policies*. We will not withdraw more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

You hereby authorize us to withdraw funds from that Account upon our demand.

You must pay enough cash into that "Automatic Withdrawal Account" to cover our expected payments of Loss within Your *Retention* and Your share of *ALAE* during the next Claims Payment Fund Coverage Period shown in the *Schedule*. The minimum amount of such cash funds is shown in the *Schedule* as "Minimum Amount". You must make a payment in that amount into that Account immediately whenever its balance falls below 25% of that amount. Interest earned on that Account belongs to You.

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**PAYMENT AGREEMENT****WHAT ABOUT COLLATERAL?****Collateral Is Required**

You must deliver collateral acceptable to us to secure *Your Payment Obligation* at the time(s), in the form(s) and in the amount(s) shown in the *Schedule*. Subject to the terms of this Agreement, we may apply any collateral we hold in connection with this or any other similar primary casualty insurance *Policies* or agreements to *Your Payment Obligation*.

**Grant of Security Interest and Right to Offset**

You grant us a possessory security interest in any property You deliver to us to secure *Your Payment Obligation*. You also grant us a continuing first-priority security interest and right of offset with respect to all premiums, surcharges, dividends, cash, accounts, or funds that are payable to You and are now or may in the future come into our possession in connection with *Your Payment Obligation*. You agree to assist us in any reasonable way to enable us to perfect our interest. You direct us to hold all such sums as collateral for *Your Payment Obligation* as they may be payable now or may become payable in the future.

**Letter of Credit**

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the *Schedule*.

If any letter of credit is canceled, no later than 30 days before that letter of credit expires, You must deliver to us a substitute letter of credit that complies with the requirements set forth above. Upon Your written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which You must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. Your duty to deliver such a letter of credit will continue until You have satisfied all Your obligations under this Agreement and the *Policies*. If You fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

**Other Collateral**

With respect to any collateral we accept other than a letter of credit, including but not limited to any collateral we hold in trust or escrow, any agreements between You and us about our respective rights and obligations with respect to such collateral are incorporated by reference into this Agreement. Nothing in those agreements will limit or modify any of our rights under this Agreement.

**Collateral Reviews**

The collateral we require to secure *Your Payment Obligation* is subject to reviews and revisions as described below.

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary, including at any time after an event such as but not limited to the following:

1. the non-renewal or cancellation of any *Policy* to which this Agreement applies,
2. the failure or violation of any financial covenants or tests, or minimum financial rating (if any) specified in the *Schedule*,
3. the occurrence of any direct or indirect transaction for the merger or consolidation, or the conveyance, sale, transfer, dividend, spin-off, lease, or sale and lease back, of all or any material portion of Your property, assets, business or equity to any other entity,
4. any material adverse change in the financial condition of You, Your subsidiaries or affiliates taken separately or in combination, or any other entity on which we rely for security or guarantee in connection with this Agreement.

You and we will cooperate with each other and each other's designated consultants in the conduct of such reviews.

If as a result of any review we find that we require additional collateral, You will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to You is indicated, we will return annually the indicated amount to You within 30 days of our written acknowledgement thereof.



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## PAYMENT AGREEMENT

### Collateral Adjustment Procedure

The additional collateral that *You* must provide us will be in the amount of the difference between the total unpaid amount of *Your Payment Obligation* and the total amount of *Your* collateral that we then hold. We may adjust the collateral requirement relating to the unexpired term of the *Policies* on the basis of our evaluation of *Your* financial condition. If such difference is a negative sum, that sum is the amount that we will return to *You*. However, we are not obligated to return collateral to *You* if *You* are in default of any provision of this Agreement or any other similar agreement relating to *Your* primary casualty insurance with us.

### Financial Information

*You* must provide financial information to us as a basis for our collateral reviews within 14 days after our request. If *You* are not subject to the reporting requirements of the Securities and Exchange Act of 1934, *You* must provide us copies of *Your* audited annual financial statements.

If we so request, *You* must provide us such financial information as we may reasonably deem necessary to determine *Your* financial condition, including but not limited to copies of *Your* completed quarterly financial statements. Those statements must include the following:

- balance sheet,
- income statement,
- statement of retained earnings,
- cash flow statement,
- notes to the statements, and
- any supplemental schedules.

### Reporting Requirement

Give us prompt notice of the event of any default as described in the section titled "What Is a Default", or any event described in the section titled "Collateral Reviews" in this Agreement, that has happened or is about to happen.

As an alternative to the above, at *Your* option, provide us with the same notices at the same time that *You* provide such notices to any other creditor regarding any material financial or operational condition that *You* are obligated to report to such other creditor.

## WHAT IS DEFAULT?

Default is any of the following:

1. failure by *You* or any of *Your* subsidiaries or affiliates to perform within 5 days after its due date any obligation *You* or any of *Your* subsidiaries or affiliates have under this Agreement or any other agreement with us.
2. *Your* insolvency, or the occurrence of any of the following:
  - the commencement of liquidation or dissolution proceedings, *Your* general failure to pay debts as they become due, general assignment by *You* for the benefit of creditors, the filing by or against *You* of any petition, proceeding, case or action under the provisions of the United States Bankruptcy Code or other such law relating to debtors, the appointment of, or the voluntary or involuntary filing for a petition for the appointment of, a receiver, liquidator, rehabilitator, trustee, custodian or similar official to take possession or control of any of *Your* property; or
  - *Your* default on any material outstanding debt not cured within its applicable cure period, if any.
3. the cancellation by *You*, without our prior consent, of any *Policy* material to this agreement. However, *Your* concurrent cancellation of all the unexpired *Policies* shall not constitute default.
4. the discovery of any material inaccuracy or incompleteness in any representation, warranty or condition precedent *You* make in connection with this Agreement, the insurance afforded by any of the *Policies* or *Your Payment Obligation*.

## WHAT MAY WE DO IN CASE OF DEFAULT?

If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:

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**PAYMENT AGREEMENT**

1. We may declare the entire unpaid amount of *Your Payment Obligation* immediately due and payable.
2. We may change any or all unexpired *Policies* under Loss Reimbursement or Deductible plans to Non-Deductible plans for the remaining term of any such *Policy*, to become effective after ten days written notice to You. We will therewith increase the premiums for those *Policies* in accordance with our applicable rating plan.
3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of *Your Payment Obligations* under this Agreement or any other premium, surcharge or deductible financing agreement between You and us, or under any *Policies*. However we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
4. We may require You to deliver to us additional collateral, including an amendment to the letter of credit or an additional letter of credit or other additional collateral. The other additional collateral, letter of credit or its amendment must conform to the requirements described above. You must deliver it within 15 days of Your receipt of a written notice from us.
5. We may cancel any or all unexpired *Policies* as if for non-payment of premium or *Deductible Loss Reimbursements*. We may apply any return of premium resulting from the cancellation to remedy any default.
6. We may withhold payment of claims to You or any of Your subsidiaries or affiliates.
7. We may satisfy Your obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of yours received by, pledged to, held by or otherwise available to us in connection with *Your Payment Obligation*. You authorize us after any default to charge any account that You maintain with us in connection with *Your Payment Obligation* in order to satisfy any of Your obligations.

**HOW WILL DISAGREEMENTS BE RESOLVED?****What if we disagree about payment due?**

If You disagree with us about any amount of *Your Payment Obligation* that we have asked You to pay, within the time allowed for payment You must:

- give us written particulars about the items with which You disagree; and
- pay those items with which You do not disagree.

We will review the disputed items promptly and provide You with further explanations, details, or corrections. You must pay us the correct amounts for the disputed items within 10 days of agreement between You and us about their correct amounts. Any disputed items not resolved within 60 days after our response to Your written particulars must immediately be submitted to arbitration as set forth below. With our written consent, which shall not be unreasonably withheld, You may have reasonable additional time to evaluate our response to Your written particulars.

So long as You are not otherwise in default under this Agreement, we will not exercise our rights set forth under "What May We Do in Case of Default?", pending the outcome of the arbitration on the disputed amount of *Your Payment Obligation*.

**What about disputes other than disputes about payment due?**

Any other unresolved dispute arising out of this Agreement must be submitted to arbitration. You must notify us in writing as soon as You have submitted a dispute to arbitration. We must notify You in writing as soon as we have submitted a dispute to arbitration.

**Arbitration Procedures**

**How arbitrators must be chosen:** You must choose one arbitrator and we must choose another. They will choose the third. If You or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make an application to a Justice of the Supreme Court of the State of New York, County of New York and the Court will appoint the additional arbitrator or arbitrators.

**Qualifications of arbitrators:** Unless You and we agree otherwise, all arbitrators must be executive officers or former executive officers of property or casualty insurance or reinsurance companies or insurance brokerage companies, or risk management officials in an industry similar to Yours, domiciled in the United States of America not under the control of either party to this Agreement.



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**PAYMENT AGREEMENT**

**How the arbitration must proceed:** The arbitrators shall determine where the arbitration shall take place. The arbitration must be governed by the United States Arbitration Act, Title 9 U.S.C. Section 1, et seq. Judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

You and we must both submit our respective cases to the arbitrators within 30 days of the appointment of the third arbitrator. The arbitrators must make their decision within 60 days following the termination of the hearing, unless You and we consent to an extension. The majority decision of any two arbitrators, when filed with You and us will be final and binding on You and on us.

The arbitrators must interpret this Agreement as an honorable engagement and not merely a legal obligation. They are relieved of all judicial formalities. They may abstain from following the strict rules of law. They must make their award to effect the general purpose of this Agreement in a reasonable manner.

The arbitrators must render their decision in writing, based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross-examination and rebuttal must be allowed.

The arbitrators may award compensatory money damages and interest thereupon. They may order You to provide collateral to the extent required by this Agreement. They will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability. However, they will not have the power to award exemplary damages or punitive damages, however denominated, whether or not multiplied, whether imposed by law or otherwise.

**Expenses of Arbitration:** You and we must each bear the expense of our respective arbitrator and must jointly and equally bear with each other the expense of the third arbitrator and of the arbitration.

This Section will apply whether that dispute arises before or after termination of this Agreement.

**TO WHOM MUST YOU AND WE GIVE NOTICES?**

We will mail or deliver all notices to You at Your address in the *Schedule*. You must mail or deliver all notices to our Law Representative with a copy to our Account Executive at the address specified in the *Schedule*. All notices must be in writing.

**MAY RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT BE ASSIGNED?**

Neither You nor we may assign our rights or obligations under this Agreement without the written consent of the other, which shall not be unreasonably withheld.

**WILL PAST FORBEARANCE WAIVE RIGHTS UNDER THIS AGREEMENT?**

Past forbearance, neglect or failure to enforce any or all provisions of this Agreement, or to give notice of insistence upon strict compliance with it, will not be a waiver of any rights. A waiver of rights in a past circumstance will not be a course of conduct that waives any rights in any subsequent circumstance.

**WHO MUST PAY TO ENFORCE THIS AGREEMENT?**

If You or we fail to perform or observe any provisions under this Agreement, the other may incur reasonable additional expenses to enforce or exercise its remedies. Either You or we must reimburse the other upon demand and presentation of clear and convincing supporting evidence for any and all such additional expenses.

**HOW MAY THIS AGREEMENT BE CHANGED?**

This Agreement may be changed only by agreement by You and us, as evidenced by a written addendum to this Agreement, duly executed by the authorized representatives of each.

**WHAT IF THE LAW CHANGES?**

If any part of this Agreement should become unenforceable because of any change in law, the remainder of this Agreement will remain in full force and effect.

**ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?**

You hereby represent and warrant that Your execution, delivery and performance of this Agreement have been authorized by all necessary corporate actions. The individual executing this agreement on Your behalf has full right and authority to execute and deliver this agreement and to bind You jointly and severally.

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**PAYMENT AGREEMENT**

**SIGNATURES**

TO SIGNIFY AGREEMENT, You and we have caused this Agreement to be executed by the duly authorized representatives of each.

For National Union Fire Insurance Company of Pittsburgh, Pa.,

On behalf of itself and its affiliates first listed above:

In New York, New York,

This 14th day of November, 2006

Signed by Michael Shiley

Typed Name Michael Shiley

Title Assistant Vice President

For You, our Client

THE UNITED COMPANY

In Bristol, VA,

This 31st day of December, 2006

Signed by Brian D. Sullivan

Typed Name Brian D. Sullivan

Title Vice President

**Pete Lunati**

**From:** Tom Griffin [TGriffin@unitedco.net]  
**Sent:** Wednesday, April 04, 2007 10:02 AM  
**To:** Pete Lunati; Jack Stewart  
**Subject:** SCN\_20070404095722\_001.pdf SCHEDULE OF PAYMENTS & POLICIES-KY-VA -AIG WC PROGRAM  
**Attachments:** SCN\_20070404095722\_001.pdf

Program DNR 11-1-06  
 ? \$ 3,706,411  
 on  
 \$1,500,000 new deal

1,383,416

down 626,000  
 1st QTR 258,369  


---

 884,000 PD

SR 0.472 - 652,972  


---

 231,028 bal

GC - WC dual - 2004  
 500,000 ded SAIL - 2005  
 GC Annua - 2006  
 comm 1st ded.

1st QTR - \$ 275,000  
 11-1 to 2-1

Annua

4/4/2007

COMPLAINT 030

ENC

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## **Schedule of Policies and Payments**

### **Paid Loss Payments Plan**

Effective from 11/01/2006 to 11/01/2007

Annexed to the PAYMENT AGREEMENT

effective on 11/01/2006

by and between us,

National Union Fire Insurance Company of Pittsburgh, Pa.

On behalf of itself and all its affiliates including, but not limited to:

American Home Assurance Company

The Insurance Company of the State of Pennsylvania

National Union Fire Insurance Company of Pittsburgh, Pa.

Commerce and Industry Insurance Company

Birmingham Fire Insurance Company

Illinois National Insurance Company

American International South Insurance Company

AIU Insurance Company

American International Pacific Insurance Company

Granite State Insurance Company

Landmark Insurance Company

National Union Fire Insurance Company of Louisiana

New Hampshire Insurance Company

and You, our Client

THE UNITED COMPANY

1005 GLENWAY AVENUE

BRISTOL VA 24201

on behalf of You and all Your subsidiaries or affiliates except those listed below:

---

For our use only; 439283

---

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**List of Addressees for Notices and Other Purposes**

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**Your Address:****Contact Name:** Tom Griffin**Company Name:** THE UNITED COMPANY**Street:** 1005 GLENWAY AVENUE**City:** BRISTOL**State:** VA**Zip:** 24201**Phone:****Your Representative:****Contact Name:** Jim Bill Harvey**Company Name:** ACORDIA OF WV-BLUEFIELD**Street:** 320 FEDERAL ST**City:** BLUEFIELD**State:** WV**Zip:** 24701-3008**Phone:** (276) 819-6056**Our Account Executive:****Contact Name:** Les Lappe**Company Name:** AIG Global Marine & Energy**Street:** 1376 East 9th Street**City:** Cleveland**State:** OH**Zip:** 44114**Phone:** 216-479-8922**Our Law Representative:****Contact Name:** Mark Pasko**Company Name:** American International Group**Street:** 176 Water Street**City:** New York**State:** NY**Zip:** 10038**Phone:** 212-468-5707**Remit Payments to:****Contact Name:** Fusion Group**Company Name:** American International Companies**Street:** PO Box 10472**City:** Newark**State:** NJ**Zip:** 07103**Phone:** 908-679-3923**Remit Collateral to:****Contact Name:** Attn: Mr. Donato DiLuzio**Company Name:** American International Group Inc.**Street:** P.O.Box 923 Wall Street Station**City:** New York**State:** NY**Zip:** 10288**Phone:** 212-770-7000**Contact Name:****Company Name:****Street:****City:****State:****Zip:****Phone:****Contact Name:****Company Name:****Street:****City:****State:****Zip:****Phone:**

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**A. Policies and Other Agreements**

Workers Compensation and Employers Liability Insurance

WC 7209431,

Commercial General Liability Insurance

Automobile Liability Insurance

Other Insurance

Other Agreements (Describe)

**B. Payment Plan:****1. Cash Deposit, Installments and Estimated Deferred Amounts**

Payment No.	Due Date	Provision for Expenses And Excess Losses(1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses(2)	Your Estimated Payment Obligation
1	11/01/2006	\$1,259,123	\$124,293	\$0	\$0	\$1,383,416
Subtotals		\$1,259,123	\$124,293	\$0	\$0	\$1,383,416
DLP*		N/A	N/A	N/A	\$2,323,000	\$2,323,000
DEP*		\$0	\$0	\$0	N/A	\$0
Totals		\$1,259,123	\$124,293	\$0	\$2,323,000	\$3,706,416

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Regular Loss Payments" and "Sizeable Loss Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as follows:

Date	Type	Amount
N/A	N/A	N/A

**Notes**

(1) "Provision for Expenses and Excess Losses" is a part of the Premium.

(2) "Provision for Limited Losses" includes provision for Loss within *Your Retention* (both Deductible and Loss Limit) and *Your* share of ALAE. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

**2. Adjustments**

The sums shown above are only estimated amounts. If *Your Payment Obligation* changes under the terms of the *Policies*, we will promptly notify *You* as such changes become known to us. All additional or return amounts relating thereto shall be payable in accordance with the terms of the Payment Agreement.

**3. Additional Payments**

On a Monthly basis, we will report to *You* the amounts of Loss and ALAE that we have paid under the *Policies*. *You* must subsequently pay us as described below.

**Regular Loss Payments:** Regular Loss Payments apply in addition to the amounts shown with Due Dates in Section B above.

We will bill *You* or withdraw funds from the Automatic Withdrawal Account (whichever Billing Method applies as shown below) at the periodic intervals stated above for the amounts of Loss within *Your Retention* and *Your* share of ALAE that we will have paid under the *Policies*, less all amounts *You* will have paid us to date as such Regular Loss Payments and the Sizeable Loss Payments described below.

**Sizeable Loss Payments:** If we must make payment for any Loss within *Your Retention* and *Your* share of ALAE arising out of a single accident, occurrence, offense, claim or suit that in combination exceeds the Sizeable Loss Payment Amount of \$25,000, *You* must pay us the amount of that payment of Loss within 10 days after

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You receive our bill,

**Billing Method:**

☒ Billing to

☒ You at Your address shown in the Schedule, or

☐ Your Representative at its address shown in the Schedule; or

☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount:

Name of Depository Institution:

Address:

Account Number:

**4. Conversion**

The Conversion Date for each Policy described in section A above shall be the date as mutually agreed upon months after the inception of such Policy.

On or shortly after the Conversion Date upon the presentation of our invoice, You must pay in cash the entire unpaid amount of Your Payment Obligation for such Policies.

**C. Security Plan**

**1. Collateral**

Collateral on Hand (by Type)	Amount of Collateral
LOCs	\$1,850,000
Total Collateral on Hand	\$1,850,000

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
LETTER OF CREDIT	\$2,323,000	2008-11-01
Total Additional Collateral Required	\$2,323,000	
Total Collateral Required	\$3,973,000	

**2. Financial Covenants, Tests, or Minimum Credit Ratings**

We may require additional collateral from You in the event of the following:

**a. Credit Trigger:**

i. If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops below the grade shown respectively under S&P or Moody's, or

ii. If S&P or Moody's withdraws any such rating.

We may require and You must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of Your Payment Obligation (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of Your Payment Obligation that has been deferred and is not yet due) and the total amount of Your collateral that we hold.

Name of Entity: Not Applicable Type of Debt Rated: Not Applicable

Ratings at Effective Date

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S&P	Moody's	Unsecured Exposure at Effective Date
Potential Future Ratings		
S&P	Moody's	Maximum Unsecured Exposure

b. Other Financial Tests or Covenants:

### 3. Adjustment of Credit Fee

If the amount of unsecured exposure is changed because of Your delivery of additional collateral to us due to the requirements under Item 2 above, the Credit Fee shall be adjusted on a pro-rata basis from the date of such delivery. Adjustment of the credit fee shall not include an adjustment of any fees associated with your deferred premium payment plan.

### SIGNATURES

IN WITNESS WHEREOF, You and we have caused this Schedule to be executed by the duly authorized representatives of each.

For us, National Union Fire Insurance Company of  
Pittsburgh Pa., on behalf of itself and all its affiliates,

this 14th day of November, 2006

Signed by Michael Shiley

Typed Name Michael Shiley

Title Assistant Vice President

For You: THE UNITED COMPANY

this 31st day of December, 2006

Signed by Brian D. Sullivan

Typed Name Brian D. Sullivan

Title Vice President



ENC

**2006 Addendum**  
**to**  
**PAYMENT AGREEMENT**

By and between us  
National Union Fire Insurance Company of Pittsburgh, Pa.  
On behalf of itself and all its affiliates including, but not limited to:  
American Home Assurance Company  
The Insurance Company of the State of Pennsylvania  
National Union Fire Insurance Company of Vermont  
National Union Fire Insurance Company of Pittsburgh, Pa.  
Commerce and Industry Insurance Company  
Birmingham Fire Insurance Company  
Illinois National Insurance Company  
American International South Insurance Company  
AIU Insurance Company  
Granite State Insurance Company  
New Hampshire Insurance Company  
(Company, "we", "us" or "our")  
and You, our Client  
**THE UNITED COMPANY**  
**1005 GLENWAY AVENUE**  
**BRISTOL VA 24201**

This Addendum is attached to and forms a part of the Payment Agreement entered into between Company and Client as of the 1st day of November, 2006

1. The section entitled WHO HAS AGREED TO THIS AGREEMENT?, is deleted and replaced with the following:  
This Agreement is between:
  - You, the organization(s) named as "our Client" in the Schedule, and
  - us, the insurers set forth above as "Company" "we," "us" and "our" in this Addendum.
2. The section entitled WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?, 8. - Your Payment Obligation, is deleted and replaced with the following:  
"Your Payment Obligation" means the amounts that You must pay us for the insurance and services in accordance with the terms of the Policies, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
  - the premiums and premium surcharges, taxes and assessments,
  - Deductible Loss Reimbursements,
  - any amount that we may have paid on Your behalf because of any occurrence, accident, offense, claim or suit with respect to which you are a self-insurer,
  - any other fees, charges, or obligations as shown in the Schedule or as may arise as You and we may agree from time to time.
  - costs and expenses incurred by any third party administrator.

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**Loss Reserves:** *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for *Loss* and *ALAE*. Those reserves shall include specific reserves on known *Losses* and *ALAE*, reserves for incurred but not reported *Losses* and *ALAE*, and reserves for statistically expected development on *Losses* and *ALAE* that have been reported to us. Any *Loss* development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon *Your* cumulative *Loss* and *ALAE* history.

**Premium Tax on Deductibles:** If any claim is made by any state regulatory authority that the amounts which *You* have paid us as deductible reimbursements hereunder are premium, and thus subject to premium taxes and/or assessments, we will notify *You* of the existence of such claim. We will give *You* the opportunity of joining with us in any proceeding to contest such claim at *Your* own expense, or to contest such claim independently at *Your* own expense. In the event a determination is made that said reimbursed amounts are taxable as premium or subject to assessments, *You* agree to pay the premium taxes and/or assessments and any related fines, penalties or interest that may be imposed as a result of the non-payment of premium taxes and/or assessments applicable to the *Policies*. Any state in which premium tax on deductible reimbursements is already included in the premium charged hereunder will be identified on the *Schedule*.

3. The section entitled: **WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?** is amended to include the following:

We will contract with a Third Party Administrator (TPA) that you select for the adjustment of your claims under the *Policies* provided that we consent to your selection in advance. Our relationship with the TPA will be governed by a claims service agreement between us and the TPA, a copy of which will be made available to you upon your request. Any TPA you select must meet all of our licensing requirements. You will be responsible for any costs associated with any change from one TPA to another TPA that we or you make at any time. We will exercise good faith consistent with usual and customary commercial practice before we change one TPA to another TPA. Any amounts we pay to any TPA on your behalf shall be considered part of *Your Payment Obligation*, and shall include, but not be limited to the following: cost of adjusting expense at new TPA; costs or losses incurred as a result of claims handling conduct of prior TPA, including fines and penalties; fines and penalties for failure to submit accurate data to regulatory bureaus; data transfer expense; costs to retrieve or recreate information not properly maintained by prior TPA; and costs to set up new escrow account.

4. The section entitled: **WHEN MUST YOU PAY YOUR PAYMENT OBLIGATION?** is amended to include the following:

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or *Your* evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment. If payment is not made when due, interest will accrue on the unpaid balance daily after the due date at the Prime Rate then in effect at Citibank, N.A., NY, NY, plus 150 basis points.

5. The section entitled: **WHAT ABOUT COLLATERAL?** is amended to include the following:

**Collateral Exchange:**

At our sole discretion we may approve *Your* substitution or exchange of one form or instrument of collateral for another. Any replacement collateral must be in a form and drawn on a bank or insurer acceptable to us. If the original collateral was in the form of cash on which interest was being earned, a substitution may result in a change to the interest rate. We will not approve your substitution or exchange of collateral if you are in Default of any of the terms of this Agreement or have triggered any applicable Financial Covenants, Tests or Minimum Credit Ratings shown in the *Schedule*.

6. The section entitled: **HOW WILL DISAGREEMENTS BE RESOLVED? ARBITRATION PROCEDURES - How Arbitrators Must Be Chosen**, is deleted and replaced with the following:

**How arbitrators must be chosen:** You must choose one arbitrator and we must choose another. They will choose the third. If you or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make application only to a court of competent jurisdiction in the City, County, and State of New York. Similarly, any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York.

7. The section entitled: **ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?** is amended to include the following:

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This Agreement together with the Schedules, Addenda, Policies and any related agreements between You and Us, constitute the basis for a program of insurance coverage. We would not have entered into any of them without your agreement on all of them. For that reason, you should review all such documents together when making any accounting, tax or legal determinations relating to the Insurance program.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized representatives.

For National Union Fire Insurance Company of Pittsburgh, Pa.,

On behalf of itself and its affiliates first listed above:

In New York, New York,

This 14th day of November, 2006

Signed by Michael Shiley

Typed Name Michael Shiley

Title Assistant Vice President

For You, our Client

THE UNITED COMPANY

In Bristol, VA.

This 31st day of December, 2006

Signed by Brian D. Sullivan

Typed Name Brian D. Sullivan

Title Vice President

# EXHIBIT B



Acordia  
353 Falls Drive  
P.O. Box 1567 (ZIP 24212-1567)  
Abingdon, VA 24210-8093  
Voice: 276.676.3603  
Fax: 276.676.0132  
[www.acordia.com](http://www.acordia.com)

November 17, 2006

Mr. Tom Griffin  
The United Company  
1005 Glenway Avenue  
Bristol, VA 24203

**Re: Workers Compensation Programs**

Dear Tom:

As we discussed, attached is a recap of the workers compensation programs for United Coal Company, LLC.

I'm pleased to inform you that by switching to a \$1,000,000 deductible you've saved over \$6,800,000. This represents a 61% savings. This savings is before you include the claims costs. Even with the claims costs included, you've saved over \$5,700,000. I applaud you for your innovative & aggressive approach.

I'd like to make the following comments:

- This is the first deductible program Brickstreet has offered. They made a mistake in calculating some WV surcharges but they agreed to "eat" their \$51,000 mistake.
- The "revised" Brickstreet quote includes Brokerage commission. This is different from the original quote.
- Our claims handling fee in VA & KY is 38% lower than originally proposed by AIG. This represents a \$141,680 savings to UCC, LLC. Please be advised we've priced the claims administration based on "the life of the claim". This is an important issue and shouldn't be overlooked.
- On the Brickstreet program, even if you hit the \$2,000,000 aggregate, United Coal Co will save over \$2,706,000. This represents a very good deal for UCC, LLC.
- I've amended the payrolls to reflect accurate payrolls.
- The VA & KY policy have only one composite rate. This will make budgeting & auditing much simpler.
- Brickstreet has agreed to use any unearned premium to offset the deductible premium. Kristina is out of the office today but we will have an accurate accounting to you early next week.

I appreciate all of your assistance you've offered in the past few months. I know both Brickstreet and AIG value your input. They both acknowledge your expertise means a lot to them.

A Wells Fargo Company

A Member of the  MetLife Group

COMPLAINT 040



Mr. Tom Griffin  
November 17, 2006  
Page 2

I've included an explanation of the funding process. I recommend you have Earl call either Gail King or Ron Casto with any specific questions/comments.

Please review everything attached and let me know if you have any questions/comments.

On behalf of everyone at Acordia, we appreciate the opportunity to handle the Workers Compensation needs of United Coal Company.

Best Regards,

A handwritten signature in black ink, appearing to read "Glenn W. McQuate".

Glenn W. McQuate CPCU, ARM  
Senior Vice President  
Acordia Energy Group

## LARGE DEDUCTIBLE QUOTE FOR UNITED COAL COMPANY, LLC

REVISED 11/7/06

PAYROLLS

## Wellmore

Coal Mining-Surface & Drivers	\$1,500,000
Coal Mining-NOC	\$4,000,000
Machine Shop	\$300,000
Grading of Land	\$300,000
Coal Merchant	\$2,000,000
Architect/Engineer	\$450,000
Clerical	\$400,000
<b>TOTAL</b>	<b><u>\$8,950,000</u></b>

## Sapphire

Coal Mining-Surface & Drivers	\$1,972,806
Coal Mining-NOC	\$6,865,502
Coal Merchant	\$338,001
Storage Warehouse	\$172,364
Automobile Repair or Service	\$184,675
Clerical	<u>\$242,453</u>
<b>TOTAL</b>	<b><u>\$9,775,702</u></b>

GRAND TOTAL \$18,725,702DEDUCTIBLE OPTIONS

	<u>\$500,000</u>	<u>\$750,000</u>	<u>\$1,000,000</u>
Premium	\$1,627,459	\$1,422,038	\$1,259,123
WC Surcharges	<u>\$169,955</u>	<u>\$169,908</u>	\$124,293
Total Premium	<u>\$1,797,414</u>	<u>\$1,591,946</u>	<u>\$1,383,416</u>
Rates			
Specific	7.66	6.44	5.57
Aggregate	<u>1.031</u>	<u>1.154</u>	<u>1.154</u>
Total	<u>8.691</u>	<u>7.594</u>	<u>6.724</u>
Collateral	<u>\$1,930,000</u>	<u>\$2,160,000</u>	<u>\$2,323,000</u>

## Current Premiums

Wellmore	\$2,301,444		
Sapphire	<u>\$1,177,591</u>		
TOTAL	<u>\$3,479,035</u>		
	\$1,681,621 Savings 48% Reduction	\$1,887,089 Savings 54% Reduction	\$2,095,619 60% Savings
AIG CLAIMS FEE	<u>\$308,000</u>	<u>\$345,600</u>	<u>\$371,600</u>
AES CLAIMS FEE	<u>\$230,000</u>	<u>\$230,000</u>	<u>\$230,000</u>

## Comments:

AIG had built \$371,600 into their program for claims handling fees. AES can handle the claims for \$230,000, a \$141,600 savings. This represents a 38% savings to UCC.

AIG is using a composite rate for both states.

The premium for Sapphire includes \$124,293 in KY taxes/surcharges.

# UNITED COAL CO LARGE DEDUCTIBLE

Revised 11/17/06

	<u>CURRENT PREMIUM</u>	<u>\$1,000,00 DEDUCTIBLE</u>	<u>SAVINGS</u>
WV OPERATIONS	\$ 7,676,087.00	\$2,970,050	\$4,706,037 (61% Savings)
SAPPHIRE	\$ 1,177,591.00	\$781,618	\$395,973 (34% Savings)
WELLMORE	\$ 2,301,444.00	\$601,798	\$1,699,646 (74% Savings)
TOTAL	\$ 11,155,122.00	\$4,353,466	\$6,801,656 (61% Savings)

## COMMENTS:

1. Acordia Employers Service will be the claims administrator on both of the above programs. Claims Administration fees are as follows:

CRCC	\$22,500/quarter
Pocahontas	\$22,500/quarter
Wellmore	\$28,750/quarter
Sapphire	\$28,750/quarter

AIG had built into their program \$371,680 for claims handling fees. Acordia Employers Service can handle these claims for \$230,000, a \$141,680 savings.

2. The Brickstreet quote includes 4% brokerage commission.

3. Collateral Requirements are as follows:

Brickstreet	\$1,000,000
AIG	\$2,323,000

4. AIG will require a cross collateral agreement since there is already collateral in place for Sapphire

5. AIG has requested a copy of your latest in-house financial statements

6. AIG is requiring the LOC wording concerning the GL policy be corrected.

7. Incurred claims through 10/31/06 are as follows:

WV Operations:	\$624,214
Wellmore:	\$299,430
Sapphire:	\$139,006



# EXHIBIT C



**Binder For Primary Casualty Insurance  
Program**

for

**The United Company**

**In consultation with your Representative**

**Acordia**

PREPARED BY: LES LAPPE  
DATED: 11/01/2006

## TABLE OF CONTENTS

Section 1	General information
Section 2	Program Rates and Premiums
Section 3	Limits, Program Type and Coverage
Section 4	Premium Payments & Program Terms
Section 5	Important Notes
Section 6	Glossary
Section 7	AIG Claim Service
Section 8	AIG Loss Consultants
Section 9	Attachments
	1. Letter of Credit Wording

**SECTION 1 - THE CONTACTS**

AIG Global Energy Casualty is committed to providing superior service on your Insurance Program. The People listed below are the primary team representatives for your account.

---

Your Address :  
Contact Name: Tom Griffin  
Company Name: The United Company  
Street: 1005 Glenway Avenue  
City: Bristol  
State: VA  
Zip: 24201

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Your Representative:  
Contact Name: Glenn McQuate  
Company Name: Acordia  
Street: 320 Federal Street  
City: Bluefield  
State: WV  
Zip: 24701  
Telephone #: 276-619-6055  
Fax #: 276-676-0152  
Email: [Glenn\\_McQuate@acordia.com](mailto:Glenn_McQuate@acordia.com)

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Our Account Representative:  
Contact Name: Les Lappe  
Company Name: AIG Global Energy  
Street: 1375 East 9<sup>th</sup> Street  
City: Cleveland  
State: OH  
Zip: 44114  
Telephone #: 216-479-8922  
Fax #: 216-696-2842

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## SECTION - 1 - INFORMATION ABOUT AIG GLOBAL ENERGY CASUALTY

AIG Global Energy Casualty provides a comprehensive array of tailor-made insurance and alternative risk solutions to national and commercial size oil and gas, power generation and utilities, chemical, and mining companies worldwide. The experts providing underwriting, claims, and loss mitigation services have years of energy and insurance experience. Their expertise fuels out integrated approach to underwriting, loss control, and claims services - and allows us to customize programs to make a meaningful difference in our insureds' ability to prevent and control losses. Whether an energy company's operations are stateside or in a number of countries,

### Quality Service

AIG Global Energy recognizes the importance of a customer-focused, integrated approach to risk management. Each client has a team of highly skilled experts serving its underwriting, loss control, and claims needs. Account managers ease and streamline communications on all facets of an insured's account. Regular, consistent interaction among AIG Global Energy underwriters on all casualty lines helps to ensure comprehensive casualty coverage and reduce gaps or overlaps in our insureds' programs. They constantly examine the big picture, helping to ensure seamless casualty coverage for our insureds. They help energy operations take advantage of the full gamut of solutions available through AIG Global Energy.

Our loss control experts specialize in the specific sectors of the energy industry and examine the issues that impact safety - management practices, physical hazards, and regulatory compliance. They customize strategies to reduce and eliminate costly risks and enhance workplace safety. Services can include hazard evaluation associated with employee injury, liability, and fleet operations, business partner training, and loss control program audits. In addition, each AIG Global Energy client benefits from our unique Claims Liaison department which serves as a central point of contact for the client, broker, claims, underwriting and loss control teams. By facilitating communication, your Claims Liaison can answer the myriad of questions that can arise from a claim, resolve issues and mitigate losses by helping stop smaller claims from escalating for our clients. Our online claims reporting system makes it convenient for clients to report claims 24 hours a day, seven days a week. Once a claim is reported, our approach brings to bear high quality investigative, legal, medical, and accounting expertise early in the claims process when it can have the greatest benefit for the client. We consider all aspects of a claim and work collaboratively with our insureds and brokers to achieve mutually agreed upon objectives.

### Financial Strength

American International Group, Inc. (AIG) is one of the world's leading international insurance and financial services organization, with operations in more than 130 countries and jurisdictions. AIG member companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty network of any insurer. In the United States, AIG member companies are the largest underwriters of commercial and industrial insurance. Financial strength and long-term stability are important factors when selecting an insurance carrier. Our strong financial resources and more than 80 years experience help ensure that clients' claims are successfully and satisfactorily handled - today and well into the future.

## SECTION 2 - PROGRAM RATES AND PREMIUMS

The amounts shown throughout are intended as estimates only. Any reference to Total or Final Premium is for explanatory purposes only. None of the numbers herein are intended to represent final calculation. Neither AIG Global Energy Casualty, nor any member company of American International, Inc. shall be bound by the calculations arrived at in the tables below. The tables serve merely to demonstrate the calculation process. All amounts are subject to modification through the binding process and to program adjustments after binding.

Rates and Estimated Premiums for:

<u>Line of Business</u>	<u>Coverage Plan Type</u>	<u>Retention/Deductible/SIR</u>
Workers' Compensation	Deductible Coverage	\$1,000,000 Deductible

## SECTION 2 - PROGRAM RATES AND PREMIUMS

Coverage Description	Rates	Estimated Per	Premium Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
Work Comp Deductible Premium	5.57	\$100	Payroll	\$18,725,801	N/A	\$1,043,027
Workers Comp Aggregate Stop	1.154	\$100	Total Payroll	\$18,725,801	100%	\$216,096
Workers Comp Terrorism Premium	N/A	N/A			N/A	Included See Below
Workers Compensation Surcharges	N/A	Rating W/Sheet			N/A	\$169,955
				Estimated Premiums		\$1,259,123
Summary of Expected Cost						
Estimated Premium (Subject and Non-subject)						\$1,259,123
WC Surcharges						\$ 169,896
Total Estimated Premium, Terrorism and Surcharges						\$1,429,019
Expected Reimbursable Losses/ Deductible Loss/Self-Insured Losses and ALAE, if applicable						\$ 2,323,000
Estimated Total Escrow Fee						\$ N/A
Credit Fee						N/A

SECTION 2 - PROGRAM RATES AND PREMIUMS

Description of Various Surcharges, if applicable, are represented in the surcharge totals shown above:

AK - Guarantee Fund Assessment  
 CA- Fraud Assessment -  
     User Fund Surcharge-  
     Uninsured Employers Benefits Fund Assessment  
     Subsequent Injuries Benefit Fund Assessment  
     CIGA  
 CT- Industrial Tax  
     USL&H Tax  
     Second Injury Assessment  
 IL - Industrial Commission Fund Surcharge  
 IN- Second Injury Fund  
 KY- Special Assessment Fund Assessment  
     Coal Workers Fund  
 ME- Board Assessment  
     Supplemental Benefit Surcharge  
 MA- MACHWC Surcharge  
 MN- MN Surcharge  
 MO- MOSIF Surcharge  
 MT- Regulatory Assessment  
 NJ- NJSIF Surcharge  
 NY- NY Assessment Charge  
 OR- ORWCA Surcharge  
     OIGA Assessment  
 PA- Employer Assessment  
 SD- Policy Flat Fee  
 VT- VTWCAFA Surcharge

NOTE FOR THOSE RISK WHICH HAVE EXPOSURE IN THE STATE OF NEW JERSEY FOR AUTO AND GENERAL LIABILITY, THERE IS A NJ Property Liability Insurance Guaranty Association policy surcharge applicable which is 1.75% of the New Jersey policy premium.

Workers Compensation Terrorism Charges  
 Total Cost: \$27,853 broken down as follows  
 (This terrorism charge is included within the premium above)

Workers' Compensation	% of Estimated Premium	Estimated TRIA Charge
Alabama	%	\$N/A
Arizona	%	\$N/A
Connecticut	%	\$N/A
Kansas	%	\$N/A
Maine	%	\$N/A
Nevada	%	\$N/A
New Jersey	%	\$N/A
New Hampshire	%	\$N/A
New York	%	\$N/A
Oregon	%	\$N/A
Tennessee	%	\$N/A
Virginia	%	\$Included
Wisconsin	%	\$N/A
All Other States	%	\$27,853

SECTION 2 - PROGRAM RATES AND PREMIUMS



☒ Claim Fee is not included as all claims are being handled by Acordia Employer Services.

☐ Fixed Loss Conversion Factor\* on Incurred Losses

\*Note: The Estimated Claims Service Charges shown represent a deposit only. If this deposit is exhausted during the policy period, we will bill you immediately for the estimated policy period shortfall.

☐ Fixed Loss Conversion Factor\* on Paid Losses

\*Note: The Estimated Claims Service Charges shown represent a deposit only. If this deposit is exhausted during the policy period, we will bill you immediately for the estimated policy period shortfall.

### SECTION 3 - LIMITS, PROGRAM & COVERAGE

#### General Notes About Coverages

Coverage outlined in this document is for explanatory and reference purposes only. The coverage provisions do not necessarily conform to any specifications furnished in the submission received from your representative.

The policy (or policies) that we issue to you shall contain the full and complete terms, conditions, exclusions and coverages provided under your insurance program. In the case of any conflict between the insurance policy (or policies), and the provisions contained in this Binder, the provisions in the policy (or policies) shall govern. Upon receipt, please review the policy (policies) thoroughly with your broker, and notify us promptly in writing if you have any questions or concerns.

The calculation of premiums, and other program features, included in this document have been established based upon the information provided by you and your representative. Additional locations, changes in exposure, or other variations may make it necessary to re-evaluate the Binder, premium calculations and plan factors. Any modification we make shall be based on our evaluation of these changes and whether they represent a measurable difference from the insurance program originally contemplated at inception.

While it is our intention to honor the terms and conditions of our contract with you, we are required to follow all regulatory and filing requirements in effect for various states where you have an exposure. We shall adhere to all state regulatory requirements. We shall not issue any form, or apply any program, that is in contravention to a governing regulation, rule, statute or law.

Prior to the inception date of coverage, you must provide us with the following information: All applicable FEIN numbers, DMV reporting information (other than New York), Florida Acord 130 for Florida Workers' Compensation coverage (fully completed, executed and notarized), and UAIN

Entities included as Named Insureds are those shown as such on the policy (policies) Declaration page, as well as in the appropriate Named Insured Endorsements attached to each individual policy, whether such are issued at inception, or included by an additional endorsement thereafter.

Any questions regarding this Binder should be directed to Our AIG Risk Management Representative shown in this document. No Alterations to this Proposal May Be Made Without the Prior Written Approval of AIG Global Energy Casualty.

**SECTION 3 - LIMITS, PROGRAM & COVERAGE****Workers' Compensation**

Policy Term: Effective at 12:01 AM 11/01/2006 to 11/01/2007  
 Issuing Company: A I South Insurance Company  
 Policy No.: WC 720-94-31

**Workers' Compensation Coverage****Statutory****Employers Liability:**

Bodily Injury by Accident - Each Accident	\$1,000,000
Each Employee Bodily Injury by Disease	\$1,000,000
Policy Limit Bodily Injury by Disease	\$1,000,000
States Covered:	KY, VA

	Deductible Amount	Applicable To:
Workers' Compensation and Employers Liability under State Law - Insured States	\$1,000,000	Each Accident or each Person for Disease
Workers' Compensation and Employers Liability under Federal Law - Insured States	\$1,000,000	Each Accident or each Person for Disease

ALAE Option  
A

ALAE Option C Excess %  
N/A

Applies to  
All States

Workers' Compensation Expected Deductible Losses \$2,323,000

*Note: 1) For Insured States, the limit of coverage as shown in this document include(s) the Retention/Loss Reimbursement Limit layer amount(s) retained by the Insured. 2) Self-Insured States, the limits of liability shown are in excess of the Self Insured Retention amount. 3) Aggregate Limits apply where applicable.*

Aggregate Stop Amount for WC Only : \$3,484,500 is a minimum amount that is adjustable upwards based on rate of \$18.61 per \$100 of WC payroll. Estimated Payroll at inception is \$18,725,801.

Note this aggregate amount shown is based a loss cost only aggregate amount and is not eroded by Allocated Claims Expenses.

Insurance Charge \$216,096 adjustable at a rate of \$1.154 per \$100 of WC Payroll. Estimated Payroll at inception is \$18,725,801.

### SECTION 3 - LIMITS, PROGRAM & COVERAGE

#### Workers Compensation Coverage Extensions and Exclusions

Form #	Name
Various	All Mandatory State Endorsements
81461	LRRP (Large Risk Rating Plan)
WC 00 01 02	Federal Health and Safety Act Coverage Endorsement States Covered: KY, VA
WC 00 04 14	Notification of Change in Ownership Endorsement
WC 00 01 13	Terrorism Risk Insurance Extension Act Endorsement
WC 00 04 06	Premium Discount Endorsement
WC 99 00 02A	Loss Reimbursement Endorsement
WC 00 01 06A	Longshore & Harbor WC Act Coverage
WC 99 00 11A	Unintentional Error and Omissions
WC 99 00 08A	Amendment of Your Duties if Injury Occurs

### SECTION 3 - LIMITS, PROGRAM AND COVERAGE

#### Workers' Compensation Premiums

Except for guaranteed cost policies, the Workers' Compensation premium does not include the non-ratable elements mandated by the various states.

WC/EL premiums and non-ratable elements are subject to rates approved by the various states and the actual experience modifications promulgated. Premium adjustments resulting from WC/EL rate/premium changes applicable at inception, which were not recognized at the time the workers' compensation policy was initially rated, will result in revised installments reflecting the amount of any such adjustments. The revised amounts will be an obligation of yours under the insurance program.

#### Workers' Compensation Loss Reimbursement (Deductible) Policy/Plan Premiums

A discount in the premium for the loss reimbursement (deductible) policies shown in the schedule is calculated in accordance with our deductible rating plan. The premium includes a provision for certain taxes and assessments (including residual market plan assessments), which we expect to become obligated to pay based on the premium.

Furthermore, in the event that any state regulatory authority determines that deductible reimbursements are taxable as premium or subject to assessments you will be obligated to pay the premium taxes and/or assessments applicable to the Policies.

Any additional premium amounts calculated under this insurance program do not accrue toward maximum or aggregates which may be included in your Casualty Insurance Program.

#### UM/UM Automobile Coverage

For Uninsured Motorists coverage (UM), Underinsured Motorist coverage (UIM) and Personal Injury Protection coverage (PIP), there are specific rejection/election of coverage forms that must be completed, signed, and returned to us prior to the inception of automobile coverage. You must complete, sign and return such forms to us by the Policy(ies) inception date of coverage. Your failure to return all required selection forms shall be deemed your acceptance that the automobile policy(ies) will issued and rated to include the limits of UM/UIM coverage equal to the policy limits of liability, or equal to the maximum limits required by law if lower than policy limits, and the limit for PIP coverage that we are required to offer for each state. In the event you fail to return the signed forms and we apply UM/UIM and PIP limits as described herein an additional charge for this change in coverage will be added to your Automobile Liability premium. Your acceptance of the casualty insurance program supersedes anything to the contrary in specification(s), proposal(s), quotation(s), this binder(s) or any other "agreement" or "understanding", and you will be responsible for the payment of UM/UIM/PIP damages within your "retention or deductible" whichever is applicable.

Please be advised that we do not offer UM/UIM coverage in Michigan and Ohio. This program does not include in its pricing UM/UIM for vehicles garaged in Ohio or Michigan..

In any State permitting election of UM limit "stacking", any UI coverage contemplated herein is predicated upon rejection of the "stacking" provision by each Named Insured.

#### DMV Reporting Requirements

In order to conform with the requirements of the various state DMV laws, we must make certain filings that provide the state DMV with specific data. Upon binding Auto Liability coverage you are required to provide us with all requisite information. For more about the DMV reporting requirements visit the Virtual Office web site under <https://accessaig.com/accessaig/public/login/frameSet>.

Your acceptance of this insurance program constitutes your agreement that the requisite data will be entered into ALIR or supplied to us in the agreed upon format. In the event that you or your representatives have not supplied, or entered complete, accurate information, the following may occur after binding: 1) You will be expected to pay the price we charge you for transmitting the data to the State DMV(s). 2) You may have vehicles, as well as cargo, impounded by authorities and you may not be able to register new vehicles or renew existing registrations. 3) In addition, you may be subject to State fines and penalties.

#### Automobile Coverage where a Composite Rate Applies

For automobile coverage, the earned premium will be computed based on the number of units at inception of the casualty insurance program plus the number of units at expiration, divided by two (2).

**SECTION 4 - PREMIUM PAYMENTS AND PROGRAM TERMS**

Incurred Loss Payment Plan:

Cash Deposit, Installments and Estimated Deferred Amounts

Payment No.	Due Date	Provision for Expenses and Excess Losses <sup>(1)</sup>	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses <sup>(2)</sup>	Estimated Payment Obligation
1	12/01/06	\$1,259,123	\$169,896	\$0	\$0	\$1,429,019
2		\$	\$	\$	\$	\$
3		\$	\$	\$	\$	\$
4		\$	\$	\$	\$	\$
5		\$	\$	\$	\$	\$
6		\$	\$	\$	\$	\$
7		\$	\$	\$	\$	\$
8		\$	\$	\$	\$	\$
9		\$	\$	\$	\$	\$
10		\$	\$	\$	\$	\$
11		\$	\$	\$	\$	\$
12		\$	\$	\$	\$	\$
13		\$	\$	\$	\$	\$
Subtotals		\$1,259,123	\$169,896	\$0	\$0	\$1,429,019
DLP*		N/A	N/A	N/A	\$2,323,000	\$2,323,000
DEP*		\$	\$	\$	\$	\$0
Totals		\$1,259,123	\$169,896	\$0	\$2,323,000	\$3,752,019

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Additional Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as such shown in the Schedule of Policies and Premiums to the Payment Agreement.

Notes: (1) "Provision for Expenses and Excess Losses" is a part of the Premium. The remainder of the Premium is included under "Provision for Limited Losses". 2) "Provision for Limited Losses" includes provision for Loss within your *Retention* (both Deductible and Loss Reimbursement Limit) and *Your* share of ALAE. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

**Additional Payments**

*You* must pay us the installment amounts by the due dates as specified in this document. We have calculated the part of those installments designated as "Provision for Limited Losses" to equal the Losses within *Your* retention/deductible/loss reimbursement limit and *Your* share of ALAE that we expect to incur during the period for which Provision for Limited Losses amounts are shown. The amount we incur will be the sum of the amounts we pay and the amounts we reserve for payment on claims that have been reported to us, but shall not include our reserves for losses that have been incurred but have not been reported to us.

**SECTION 4 - PREMIUM PAYMENTS AND PROGRAM TERMS**



## Billing Method

- ☒ Billing to  
☐ You at *Your* address shown in the *Schedule*, or  
☒ Your Representative at its address shown in the *Schedule*; or  
☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount: \$0

Name of Depository Institution:

Address:

Account Number:

## Incurred Loss Accounting Adjustments

The first Premium Plan Adjustment will take place as soon as practicable after the expiration date of the policies. The adjustment will be based on the rates shown in this document, audited exposures and loss information valued as of 6 months after policy expiration, subject to the minimums indicated within the terms of your insurance program. Thereafter, annual Ultimate Incurred Loss Plan adjustments will take place and continue until you and we agree in writing to perform no further recalculation.

Additional premium due us, or return premium due you, resulting from the adjustment, will be payable in its entirety within the time permitted by notice to you and subject to the terms of the Payment Agreement.

## Specific Loss Development Factors

If we have agreed to use specific Loss Development Factors in determining Ultimate Losses, the following applies:

## GRID of Loss Development Factors

Valuation Date	Kind of Insurance			
	Workers Comp LDF's	General Liability LDF's	Auto Liability LDF's	_____ LDF's

**NOTE THAT:**

We may apply a different table of LDF's that will enable us more accurately to estimate such final amount of *Loss* and *ALAE*, if during the term of the policies, a change occurs in the hazards insured against because of *Your* acquisition or disposition of a subsidiary, division or operation with assets at least equal to 20% of *your* assets on the effective date hereof, or the organization that provides claims service under the *Policies* is changed, or *Your* retention/deductible/loss reimbursement limit under any of the *Policies*, or any other change occurs which is likely to render the LDF's shown in the Grid ineffective as a tool for estimating with reasonable accuracy the amount of *Loss* and *ALAE* that we will pay because of accidents, occurrences, or offenses covered by the *Policies*.

**SECTION 5 - IMPORTANT NOTES**

Security Plan



**Collateral**

Collateral on Hand (by Type)	Amount of Collateral
Letter of Credit	\$1,650,000
Escrow Fund	\$0
	\$
Estimated Gross Amounts of Collateral on Hand	\$1,650,000

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
Letter of Credit	\$2,323,000	12/01/06
Claims Payment Fund (Escrow)	\$0	12/01/06
Total Additional Collateral Required	\$2,323,000	12/01/06
Estimated Gross Amount of Collateral Required	\$3,973,000	12/01/06

**2. Financial Covenants, Tests, or Minimum Credit Ratings**

We may require additional collateral from You in the event of the following:

**Credit Trigger:**

If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops below the grade shown respectively under S&P or Moody's, or if S&P or Moody's withdraws any such rating.

We may require and You must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of Your Payment Obligation (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of Your Payment Obligation that has been deferred and is not yet due) and the total amount of Your collateral that we hold.

Name of Entity: N/A

Type of Debt Rated: N/A

		Ratings at Effective Date
S&P	Moody's	Unsecured Exposure at Effective Date
A+	Aa3	
		Potential Future Ratings
S&P	Moody's	Maximum Unsecured Exposure
AA-	Aa3	
A	A1	
A-	A2	
BBB+ or below	A3 or Below	

**b. Other Financial Tests or Covenants:****Collateral Reviews**

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary. If as a result of any review we find that we require additional collateral, you will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to you is indicated, we will return annually the indicated amount to you within 30 days of our written acknowledgement thereof.

## SECTION 5 - IMPORTANT NOTES

### Letter of Credit

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the *Schedule*. If any letter of credit is canceled, no later than 30 days before that letter of credit expires, *You* must deliver to us a substitute letter of credit that complies with the requirements set For the above. Upon *Your* written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which *You* must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. *Your* duty to deliver such a letter of credit will continue until *You* have satisfied all *Your* obligations under this Agreement and the *Policies*. If *You* fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

### Claims Fund Deposit and Adjustment

The amount of the initial deposit for the Claims Payment Fund has been determined on the basis of an analysis of your loss experience in prior years. The fund will initially equal 4 months of expected paid claims and Allocated Loss Adjustment Expenses. After the inception, if the total amount of claims paid exceeds the sum of the Claims Payment Deposit for three (3) consecutive billing periods, additional funds for the Claims Payment Deposit may be required.

NOTE: A sample of the required LOC wording (*exact wording mandatory*) is attached to this document.

Where indicated, security may be accumulated in four (4) equal quarterly automatic increments.

### Non-Depleting Cash Security

Cash posted by you will be placed in a pooled cash account. Based on an interest rate determined by us, we will credit interest earned on the daily cash balance, quarterly. This cash will not be utilized to pay for losses and expenses you incur. We will bill you on a monthly basis for the reimbursement of losses.

### Depleting Cash Security

Cash posted by you will be placed in a pooled cash account. Based on an interest rate determined by us, we will credit interest earned on the daily cash balance, quarterly. This cash will be utilized to pay for losses and expenses you incur. Should your funds fall below a predetermined amount, as determined by us, we will commence billing you monthly for reimbursement of losses and expenses.

### Collateral Trust

Cash will be invested in various securities, selected by you, in accordance with the applicable trust agreement, executed between you (Grantor), us (Beneficiary) and the bank (Escrow Agent). Our oversight fee charge for this arrangement will be between 7 and 10 basis points of the market value of the trust. The Escrow Agent may also ask you for a separate fee for their services. At our discretion, we will determine if this cash will, or will not, be utilized to pay for losses and expenses you incur.

## SECTION 5 - IMPORTANT NOTES

### Documentation

By accepting this Casualty Insurance Program, the Insured agrees to provide AIG Risk Management with the correctly completed and signed documents as requested by AIG Risk Management:

- The Payment Agreement, including any Addendum(s), and Security required under any Premium Deferral Plan (when required), within 30 days of the inception date of the program.
- Per Florida statute, an Acord 130 application applying to Workers' Compensation coverage, fully *completed, executed and notarized* (applicable only to Florida coverage).

All documents requiring signature must be signed by a *corporate officer* of the Insured and in some instances, on behalf of Your Insurance Representative. All documents *must* be dated as of the inception date of the program.

Failure to execute any of the requisite documents within the time periods required will render the Financial Plan of your Casualty Insurance Program voidable at the discretion of AIG Risk Management. The entire amount of the "Estimated Cost" specified under the program will thereafter become immediately due and payable to us in cash. Failure to *pay premium within 5 Days of the billing date* may result in the exercise of various default remedies including, but not limited to, cancellation.

As respects Automobile and General Liability

### POTENTIAL RESTRICTIONS OF TERRORISM COVERAGE

The Terrorism Risk Insurance Act of 2002 (TRIA) established a program (Terrorism Risk Insurance Program) within the United States Department of the Treasury, under which the Federal Government shares, with the insurance industry, the risk of loss from terrorist attacks. This Program is scheduled to terminate on December 31, 2005 unless extended by the Federal Government.

Your enclosed policy incepts while the Federal Program is still in effect, but prior to a decision by the Federal Government concerning extension of the Federal Program. If the Federal Government does not extend TRIA during the term of your policy, then the treatment of terrorism under your policy will change.

If you have not purchased TRIA coverage for the additional premium quoted, two (2) terrorism exclusion endorsements will be attached to your policy, so long as they have been approved by the applicable state regulatory office. If regulatory approval has not been granted for your applicable state neither endorsement is available for attachment:

- The first exclusion serves to identify that TRIA may terminate during your policy period. If it does, the first exclusion will be replaced by the second exclusion. If TRIA is not terminated, the first exclusion also serves to exclude coverage for terrorism as defined by TRIA.
- The second exclusion serves to eliminate coverage for acts of "terrorism" and will essentially read\*:

## SECTION 5 - IMPORTANT NOTES

This insurance does not apply to loss, injury, damage, claim or suit, arising directly or indirectly as a result of, in connection with, or relating to "terrorism" including but not limited to:

1. Any action taken in hindering or defending against an actual or expected incident of "terrorism" regardless of any other cause or event that contributes concurrently or in any sequence to the injury or damage; and
2. Any contemporaneous or ensuing loss caused by explosion, fire, heat, vandalism, looting, theft, civil commotion, rebellion or insurrection.

However, this exclusion only applies if one or more of the following are attributable to an incident of "terrorism":

1. The total of damages and/or loss to all types of property exceeds \$25,000,000. In determining whether the \$25,000,000 threshold is exceeded, we will include the replacement cost, without deduction for depreciation, for all damage sustained by any property affected by the "terrorism" and business interruption losses sustained by owners or occupants of damaged property; or
2. Fifty or more persons sustain death or serious physical injury. For the purposes of this provision, serious physical injury means:
  - a. Physical injury that involves a substantial risk of death; or
  - b. Protracted and obvious physical disfigurement; or
  - c. Protracted loss of or impairment of the function of any bodily member or organ; or
3. The "terrorism" involves the actual, alleged or threatened use, release, escape, dispersal, application and or existence of:
  - a. Any nuclear reaction;
  - b. Radioactive materials or "nuclear materials" in any form and from any source;
  - c. Radionuclides;
  - d. Radiation emitted from any radioactive source whether natural or manmade; and/or
  - e. Electromagnetic pulses; or
4. The "terrorism" involves the actual, alleged or threatened use, release, escape, dispersal and/or application of pathogenic or poisonous chemical or "biological" materials, whether natural, manmade, living or dead.

Multiple incidents of "terrorism" that occur within a seventy-two hour period and appear to be carried out in concert or to have a related purpose or common leadership will be considered to be one incident.

This endorsement is subject to the approval of various states. Attachment of such an endorsement would provide for a return of the unearned pro-rata portion of any charge for terrorism coverage that you paid to us calculated based upon the date the TRIA program terminates relative to the number of days remaining until your policy's natural expiration.

**DEFINITIONS** - The following definitions shall apply:

"Terrorism" means the use or threatened use of force or violence against person or property, or commission of an act dangerous to human life or property, or commission of an act that interferes with or disrupts an electronic or communication system, undertaken by any person or group, whether or not acting on behalf of or in any connection

## SECTION 5 - IMPORTANT NOTES

with any organization, government, power, authority or military force, when the effect is to intimidate, coerce or harm:

- a. A government;
- b. The civilian population of a country, state or community; or
- c. To disrupt the economy of a country, state or community.

"Nuclear materials" means "source material," "special nuclear material" or "by-product material." "Source material," "special nuclear material," and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

"Biological" materials includes all microorganisms, viruses, rickettsia, prions, nucleic acids, toxins, toxin-producing agents, and poisons produced by biological organisms.

\*Actual endorsement wording may vary based on modifications required by the various state regulatory offices during their approval process.

Note as respects Workers Compensation

### TERRORISM RISK INSURANCE ACT

The provisions below address the requirements of the Terrorism Risk Insurance Act of 2002.

#### **DEFINITIONS**

The definitions provided in below are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined below are defined in the Act, the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:



**SECTION 5 - IMPORTANT NOTES**

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

**LIMITATION OF LIABILITY**

The Act may limit our liability to you under your policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under your policy will be limited by the Act, as determined by the Secretary of the Treasury.

**POLICYHOLDER DISCLOSURE NOTICE**

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% of our insured terrorism or war losses exceeding our insurer deductible.
2. The additional premium charged for the coverage your policy will provide for insured terrorism or war losses will be shown in Item 4 of the Information Page of your policy or the Schedule below.

**Schedule**

<b>STATE</b>	<b>Rate per \$100 of Remuneration</b> (or premium determination method shown below)
Arizona .....	Rate per \$100 of Remuneration <u>in addition to</u> rate included in Arizona premium as set forth below **.
Connecticut, New Jersey and Wisconsin .....	Rate per \$100 of Remuneration.
New York .....	Rate per \$100 of Remuneration <u>and</u> rate applied to Total Classification Premium.
Kansas, Maine, New Hampshire and Virginia .....	<u>Included in Rates applied to Premium Basis (Remuneration) for calculation of annual premium for each applicable classification of operations.</u>
Alabama, Nevada and Tennessee .....	<u>Rate per \$100 of Remuneration in addition to charge included in rates applied to Premium Basis (Remuneration) for calculation of annual premium for each applicable classification of operations.</u>
All Other States .....	Rate applied to Total Classification Premium.

Th

**SECTION 5 - IMPORTANT NOTES**

e premium charged for the coverage your policy will provide for insured terrorism or war losses is included in your Total Estimated Premium and is an estimate. The final premium for this coverage will be determined after your policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by your policy.

**Estimated Premium Quoted in This Binder**

The estimated premium(s) shown in this Binder is based on rates, and experience modifications (if applicable) in use at the time this Binder is submitted to you. The terms of the Casualty Insurance Program, our manuals of rules, classifications, rates and rating plan will determine the adjusted premium and surcharges (if any). All information required to conduct our adjustments are subject to verification and change.

**Estimated Taxes and Assessments Quotes in this Binder**

Any references made in this Binder to taxes or tax rates or assessments are subject to change if such taxes or tax rates or assessments are changed or modified by the respective taxing authority (ies) prior to inception or following inception. You shall be obligated for any resulting increase that occurs.

**Premium Tax on Deductibles**

If any state regulatory authority that mandates amounts which you have paid as deductible reimbursements are considered premium, and thus are subject to premium taxes and/or assessments makes any claim, we will notify you of the existence of such a claim. We will give you the opportunity of joining with us in any proceeding to contest such claim at your own expense, or to contest such claim independently at your own expense. In the event a determination is made that said reimbursed amounts are taxable as premium or subject to assessments, you will be responsible to pay the premium taxes and/or assessments and any related fines, penalties or interest that may be imposed as a result of the non-payment of premium taxes and/or assessments applicable to the Policies.

**Payment of Premium****Wire Transfers**

The Broker will be sent a premium invoice for the insured and the insured will then forward the money to the broker who will then wire transfer the money, indicating what the payment is for, to our account:

CHASE MANHATTAN BANK, NEW YORK, N. Y.

ABA NO, 021-000-021

ACCOUNT NAME: NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PA.

ACCOUNT NO. 323-160-387 Phone #: 1-877-204-1124

The broker is to notify AIG Global Energy Casualty the day the wire transfer is made so that we may notify our New York accounting department.

Express Mail: Premium Payments can be express mailed to the following address:  
NATIONAL UNION SPECIAL BUSINESS (FUSION GROUP)  
4 CHASE METROTECH CENTER, 7<sup>TH</sup> FLOOR EAST  
LOCKBOX 10472  
BROOKLYN, N. Y. 11245

## SECTION 5 - IMPORTANT NOTES

### Premium Audit

Premium audits are required in all states covered under your Casualty Insurance Program. AIG Risk Management has a staff devoted to the professional auditing of our accounts. A lead auditor will be available to meet with you to set the parameters and timetable for the audit process. Records for audit purposes should be available at each location within 30 Days after the policy(ies) anniversary or expiration.

Any premium adjustment developed in the course of an audit of programs/plans that are subject to the terms of the Payment Agreement will be deferred until Plan Adjustment. Changes in the premium amount, based on the completed audits, of all other types of program/plans will be due within 30 Days of the billing date.

Guaranteed cost programs/coverages or any other audit premiums will be due within 30 Days of billing.

### Acquisitions and Divestitures

With respect to any acquisitions or divestitures that represent a greater than 10% increase in exposure, AIG Risk Management may, at its discretion, require a program review. That review MAY result in a premium adjustment.

Your responsibility for the payment of "Allocated Loss Adjustment Expenses" is:

- A 100% of the total "Allocated Loss Adjustment Expenses" up to the "Retained Limit". However, the most you are responsible for with respect to damages and/or indemnity and "Allocated Loss Adjustment Expenses" combined shall not exceed the "Retained Limit".
- B 100% of the total "Allocated Loss Adjustment Expenses".
- C All or part of the "Allocated Loss Adjustment Expenses" determined according to the following:
  - If we incur NO obligation under the policy (ies) to pay damages resulting from a claim, you are responsible for all "Allocated Loss Adjustment Expenses" up to the applicable "Retained Limit" plus 100% of all remaining "Allocated Loss Adjustment Expenses".
  - If we DO incur an obligation under the policy(ies) to pay damages resulting from a claim, you will be responsible for a percentage of "Allocated Expense Adjustment Expenses". That percentage shall be determined by dividing the "Retained Limit" paid by the total damages paid subject to the Limits of Insurance.
- D No "Allocated Loss Adjustment Expenses".



## SECTION 6 - GLOSSARY

### Aggregate Stop Amount

The maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense payable by you for losses under policies that are subject to your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

### Aggregate Stop Limit

If shown in conjunction with the Aggregate Stop Amount, the Aggregate Stop Limit is the maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense that we will not require you to reimburse to us under your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

### ALAE (Allocated Loss Adjustment Expense)

Loss adjustment expenses that are assignable or allocated to specific claims. "Allocated Loss Expenses" or "ALAE" will include, but are not limited to, all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorney's fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of either your or our subrogation rights.

ALAE will not include loss adjustment expenses explicitly included in the premium calculation formula or otherwise explicitly included in the rating values, nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.

### ALIR System

Automobile Liability Insurance Reporting software system used for the reporting of required vehicle data to the various state DMV offices.

### Automatic Withdrawal

An insured funded account established to facilitate the carrier's payment of the insured's losses and ALAE within the insured's deductible layer. The Insured authorizes the insurer to make withdrawals as necessary and upon the insurer's demand from the account. The insured is obligated to fund the account to cover expected losses and ALAE within the insured's retained/deductible layer. The Insured is responsible to replenish the account as necessary.

### Basis of Adjustment

Exposure (such as payroll) and factor (such as a rate) used to determine a specific number or amount.

### Claims Payment Deposit

The amount deposited into the Claims Payment Fund.

## SECTION 6 - GLOSSARY

### Claims Payment Fund

"Claims Payment Fund" is a non-interest bearing escrow fund established in the amount of two and one half (2 ½) months' estimated Reimbursable Loss Plus Allocated Loss Expenses. The Claims Payment Fund is deposited with the Claims Administrator for the payment of claims. The Claims Payment Fund is an estimated amount, and it will be adjusted depending upon the actual claims paid. The prior four months' paid losses will be reviewed by the Company to determine a two and one-half (2 ½) month average.

### Claims Service Charges

Fees associated with the Third Party Administrator's handling of claims adjustment for a given account.

### Deductible

The amount of any damages or benefits arising out of any single accident, occurrence, claim or suit, paid or payable by you and which is not included in the computation of the *Subject Premium*.

### Deferred Expense Provision

Is an estimated amount of expenses that you must pay as shown in the Schedule of Policies and Premiums to the Payment Agreement.

### Deferred Loss Provision

Is the estimated amount you must pay us as regular (usually billed monthly) loss payments and sizable loss payments as described in the Schedule of Policies and Premiums to the Payment Agreement.

### DMV

Department of Motor Vehicles.

### Estimated Deferred Amounts

Estimate of the Deferred Loss Provision and Deferred Expense Provision shown in the Schedule of Policies and Premiums to the Payment Agreement.

### Estimated Cost

All costs and amounts set out in the binder are considered estimated amounts subject to change prior to program binding and in the case of adjustable programs post program inception. Tax amounts quoted through out the binder are estimated and subject to change based on revised tax rates and additional assessments that come due during the policy period

### Experience Modifications

A factor to adjust the premium in anticipation of loss experience that is expected to vary from the provision for losses in the rates. It is based upon the past variance of experience from expected experience.

### FEIN numbers

Federal Employer Identification number.

## SECTION 6 - GLOSSARY

### Guaranteed Cost Policies

Policies of insurance under which premium is charged on a prospective basis without adjustment for loss experience during the policy period.

### Incurred Loss Conversion

Amendment of a program from one in which you are reimbursing us for loss and expense actually paid out, to a program in which you are paying loss and expense actually paid out, but also for reserve amounts established on pending claim activity.

### Insured States

States that are covered by insurance

### Loss Conversion Factor

Are factors used in the retention rating formula that provide a charge to cover the cost of the insurer's claims service fee.

### Loss Development Factors

Loss Development Factors shall mean those factors promulgated by the Company from time to time which are applied to Incurred Loss(es) to project Outstanding Loss Reserves and Allocated Loss Expense Reserves to ultimate and contain a reserve for IBNR.

### Loss Reimbursement Limit

The portion of any loss and ALAE we pay that you must reimburse us for under any "Loss Reimbursement" provisions of a Policy.

### LRRP endorsement

LRRP (Large Risk Rating Plan) is RMG's version of the NCCI/ISO Large Risk Alternative Rating Option. The LRRP endorsement moves the adjustment process from the individual policies to the overall program adjustment and moves expenses among different lines of insurance.

### Maximum Cost

The maximum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

### Maximum Insurance Cost

Subject, non-subject and deductible reimbursements and surcharges and special taxes.

### Maximum Premium

Largest amount that the subject premium can attain.

### Minimum Cost

The minimum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

## SECTION 6 - GLOSSARY

### Monopolistic States

Those states where employers must obtain workers compensation insurance from compulsory state funds or qualify as a self-insurer. North Dakota, Ohio, Washington, West Virginia and Wyoming (for certain codes only) are monopolistic states.

#### Non-Ratable

A type of charge, especially in workers compensation rating, that is based on a catastrophic type exposure and is thus excluded from ordinary rate-making and is also not subject to experience rating and retrospective rating.

#### Non-Subject Premium

All other premium under a policy that is not subject to adjustment on the basis of loss adjustment.

#### Plan Adjustment

Recalculation of the estimated premium from policy inception based on audited exposures and factors shown in the binder, plus losses and expenses, where applicable.

#### Paid Loss adjustments

Recalculation of the estimated premium based on audited exposures and factors shown in the binder, plus the difference between losses and expenses you have paid to date and the losses and expenses paid by us as of the loss and expense evaluation date used in the Paid Loss Adjustment.

#### Paid Losses

Losses paid under the insurance program as they become due.

#### Premium Deferral Plan

Plan under which the insured and insurer agree to defer the insurance program premium over the course of the policy period. The Plan is set out in the schedule to the payment agreement and the insured is obligated to provide collateral to secure for the deferred payment plan.

#### Premium Discount

A discount granted to reflect expense savings relative to the size of the standard premium.

#### Retention

The amount of any damages or benefits arising out of any single accident, occurrence, claim or suit, paid or payable by you and which is included in the computation of the *Subject Premium*.

#### Self-Insured Retention

A specific amount the insured retains as its obligation for a covered loss. It is the insured providing primary insurance over which the carrier provides excess coverage. Unlike a Deductible, the insurer is not obligated to pay the insured's SIR and then seek reimbursement from the insured. The insured is directly responsible to the claimant for the amount of the SIR.

#### Self Insured States

Those states in which you, the insured, are providing the primary layer of insurance.

## SECTION 6 - GLOSSARY

#### Sizable Loss Payments

A set amount shown in the Payment Agreement schedule for which the insured will be obligated to reimburse us following our payment of any Loss and ALAE within the insured's retention.

Stacking

Refers to a condition allowed in some states that permits you to add the policy limits of other vehicles covered by you, either on the same policy (interpolicy) or from other policies (intrepolicy), and recover the sum of these limits.

Standard Premium

Premium based upon the exposure rates and increase limit factors, but without application of premium discount or deductible discounts.

Stop Gap Liability

Provides Employers Liability coverage for those states where employers must obtain statutory workers compensation insurance from a compulsory state fund.

Subject Premium

"Subject Premium" is the portion of the Gross Program Premium subject to adjustments in accordance with the adjustment formula shown in this Binder. At the commencement of the program, it is the amount stated on the Pricing Page.

Texas Premium Discount

Premium discounts on automobile policies with premiums in excess of \$5,000. These discounts are set when the policy is issued and cannot be changed until an audit of the policy is completed.

UAIN

Unemployment Account Identification Number

Ultimate Incurred Loss Plan

Loss Sensitive program in which you are paying, in advance of actual loss dollar payment, for the ultimate cost of expected losses and expenses that will occur during the policy period.

Ultimate Losses

Paid losses and expense dollars, and reserve loss and expense dollars developed using Loss Development Factor(s) to establish the maximum expected total loss and expense amount.

UM/UIM/PIP

Uninsured Motorist Coverage, Underinsured Motorist Coverage and Personal Injury Protection. All three are specific coverage available under a Business Auto, Truckers' or Garage Liability Policy. UM and UIM coverage provides an insured with bodily injury (and in some states, property damage) coverage from its own carrier as if collecting from the tortfeasor's carrier. PIP is a statutorily provided coverage that has insurers provide first party benefits for medical expenses, loss of income, funeral expenses and such without regard to fault.

Valuation Date

The cut off date for adjustments made to paid claims and reserve estimates in a loss report.

**SECTION 7 - AIG CLAIM SERVICE****OVERVIEW**

Mitch Harless, located in our Houston Office and can be reached at 713-268-8764, is our Energy Claims Specialists who acts as Liaison for us with AIGCS on all Energy Claim issues.

AIG Claim Services, Inc. (AIGCS) was established in 1977 for American International Group, Inc.'s domestic companies. Since then, our expertise and expansion have grown along with our parent company.

AIGCS manages claims with two guiding principles: reduce our customer's total cost of risk and provide superior service to our customers. We have 2,400 claims professionals managing more than 100,000 property & casualty and 240,000 workers' compensation claims annually. Our teams of technical, medical, and litigation professionals work to provide efficient, cost-effective claims handling. We also offer leading-edge information systems technology that allows our clients to manage their claims programs and reduce costs.

AIGCS' focus on cutting our client's cost of risk while offering superior customer service, along with our specialized claims management model, distinguishes us from our competitors.

#### ACCOUNT MANAGEMENT

##### Director of National Accounts

The primary role of the Director of National Accounts (DNA) is to ensure that AIGCS satisfies the claims service requirements regarding claims management, managed care, and all other insurance services. Our DNAs continually work with our customers to identify business process improvements to fit their individual needs.

##### ACCOUNT COORDINATION TEAM

The goal of the Account Coordination Team is to support the DNA and provide proactive customer service by educating, training and communicating with our customers.

##### Special Account Instructions

During AIGCS' initial claims setup meeting, we establish Special Account Instructions to provide information to claim specialists regarding the custom claims management, reporting, and threshold requirements of the customer. All service centers managing claims are trained on their specific customers' Special Account Instructions.

#### STAFFING

The AIGCS staffing model designates individual claim specialists within units to service their customer's account. All claim specialists are appropriately licensed in the jurisdictions that require such licensure. Our staff ratio is one supervisor for every six technical claim specialists.

#### CLAIMS REPORTING

##### AIGCS Early Notice<sup>®</sup>

AIGCS Early Notice (AIGCS EN) is our toll-free telephonic claims reporting system. Operational 24-hours a day, seven days a week, this service allows claimants to report catastrophic losses or severe injuries immediately, ensuring our instantaneous response at all times. Claims are electronically sent to the appropriate AIGCS handling office, typically within an hour of the completion of the call.

##### IntelliRisk<sup>®</sup> First Notice of Loss

AIGCS also offers its customers the IntelliRisk First Notice of Loss (FNL) system for reporting claims through the Internet. The FNL service allows registered customers to report claims directly to AIGCS over the Internet - 24 hours a day, seven days a week.

## SECTION 7 - AIG CLAIM SERVICE



**Claim Services, Inc.**

CLAIMS MANAGEMENT



AIGCS' national network of workers' compensation and property & casualty service centers is structured around two claims processing hubs, located in Alpharetta, GA and Overland Park, KS. These hub offices are supported by nationwide service centers. We have implemented a dynamic document management system called iClaims, which electronically scans and routes all claims documents to the appropriate claim specialist. iClaims is integrated with our workers' compensation and property and casualty claims management system. All new claims are handled in this paperless claim environment.

Our model provides our service center managers great flexibility, allowing them to modify their structures into teams of experts configured around particular industry types (manufacturing, transportation, etc.) or size of account. Our highly trained technicians are specialists in their respective disciplines. Our specialized approach ensures that all cases, from the simplest medical to the most complex catastrophe, receive the focused care and attention needed for prompt and proper disposition.

Our unit managers (supervisors) do not carry a caseload. They assign and monitor claims and provide mentoring for their staffs.

#### RESERVING/SETTLEMENT

We evaluate and set reserves based on the specific risks of the client's program. Our philosophy is to reserve for "probable ultimate cost": the probable cost of case disposition based on the present investigative and technical evaluation of the specific exposure presented.

#### INVESTIGATION

Our in-house Investigative Services Division (ISD) encompasses a nationwide staff of over 100 claim investigators strategically located throughout the United States. Our ISD staff has been carefully selected and trained to work in partnership with our claim specialists.

All claims are scanned and reviewed for indicators of suspicious activity. Any potentially suspicious claims are then referred to AIG World Investigative Resources (AIG WIR), our fraud investigations department. When fraud is discovered, AIG WIR will prosecute to the extent allowable by law. They will also follow up for restitution whenever it is feasible. Similarly, all claims that present a high financial exposure are promptly investigated.

#### LITIGATION MANAGEMENT

AIG's Litigation Management Program prescribes policies and procedures with which all counsel must comply. Our guidelines encourage aggressive, cost-effective file handling without sacrificing indemnity payments. All attorneys handling AIGCS files are required to follow these guidelines in all property, casualty and workers' compensation matters.

Our program is comprised of:

- Staff Counsel - more than 160 attorneys with experience defending all areas of negligence law
- Panel Counsel - a nationwide network of approved attorneys
- Claims Counsel - technical and strategic advisors in our property & casualty offices
- Hearing Representatives - used in Texas, California and Kentucky as part of our legal expense reduction initiative

### SECTION 7 - AIG CLAIM SERVICE

**AIG** Claim Services, Inc.

#### MEDICAL MANAGEMENT

The success of our cost containment program is based on the joint efforts of our technical and medical staff. AIGCS' medical management division is an integral part of our claims operation.

Features of our medical management program include:

- Telephonic Case Management
- Field Based Case Management
- Online Medical Provider Listing
- Pre-Injury Management Program
- Preferred Provider Organizations
- Utilization Review
- Medical Bill Review
- Prescription Drug Program

#### RISK MANAGEMENT INFORMATION SYSTEMS

Our Risk Management Information Services (RMIS) Division provides a valuable source of claims information solutions for today's demanding risk management concerns. Through our suite of IntelliRisk<sup>®</sup> e-Services and the support of our designated business and technology professionals, we help the policyholders of AIG member companies manage their claims program and reduce costs.

Our suite of IntelliRisk e-Services includes:

IntelliRisk NetSource<sup>®</sup> - Our Internet-based online claim analysis and reporting system provides real-time claim, payment and adjuster activity information for companies of all types and sizes.

IntelliRisk NetData<sup>®</sup> - Our online loss report distribution service "pushes" an electronic version of the loss report as a file attachment to an e-mail or onto CD-ROM. NetData can also send data via File Transfer Protocol, tape, cartridge or diskette.

IntelliRisk<sup>®</sup> First Notice of Loss (FNL) - Our online claims reporting service allows customers to report workers' compensation and property & casualty claims anytime, from any Internet-linked desktop.

IntelliRisk<sup>®</sup> Medical Provider Listing (MPL) - Our online directory provides easy, fully searchable access to information on nearby network doctors, hospitals, or specialists.

AIG Claim Services, Inc. is a member company of American International Group, Inc.



**SECTION 8 - AIG LOSS CONSULTANTS****AIG Consultants, Inc.**A Member Company of American International Group, Inc.**Executive Summary**

George Strapulos, located in our Houston Office and can be reached at 713-268-8836, is our Energy Loss Control Manager who acts as Liaison for us with AIG Consultants on all Energy Loss Control issues.

AIG Consultants, Inc.®, (AIGC), a member company of American International Group, Inc., provides comprehensive safety, healthcare, environmental, and property loss control services and crisis management services. AIGC has been providing clients with quality service for over two decades. AIGC provides professional services that not only meet, but exceed your company's quality performance expectations. In today's competitive business environment, insurance costs due to employee or third party injury is a critical issue for every organization. AIGC provides effective strategies for controlling and managing loss costs associated with accidents and liability incidents. Through Best Practices comparative analysis, AIGC focuses on the cause of loss and develops intervention strategies based on the needs of the account. These services provide practical business solutions for loss exposures identified within your organization.

Our services are consultative in nature and focus on loss drivers and your specific needs. To begin, we conduct an analysis of past losses in order to identify primary loss types and sources responsible for frequency and severity loss issues. This, combined with an evaluation of your organization, facilities and loss potential, is used to prioritize critical issues that drive, or have the potential to drive, the majority of claims and/or costs. The following key planning elements are offered for your review and consideration:

- From a workers compensation standpoint, it is imperative that we focus on managing your loss costs. Historically, losses in this type of industry result in sprains and strains, vehicle accidents, forklift accidents, and slips and falls. A risk assessment of the company programs to reduce these types of losses will be done. In addition to the corporate program assessments, onsite evaluations will be determined based on experience from a frequency and severity standpoint with recommendations generated in areas where deficiencies may be noted.
- Loss Control efforts will focus on fleet safety evaluations and controls. This will include evaluations of fleet policies and procedures, driver qualifications, driver training, MVR checks, MVR grading, vehicle replacement policies, tire programs, vehicle inspections, maintenance programs and record-keeping, driver logs, accident investigations, etc.
- From a general liability standpoint, loss control evaluations will focus on the premises exposures and life safety issues. Areas of concentration will be on slips/trips/falls, emergency planning, crisis management, access and egress, employee training, incident investigations and products liability.
- "Safety Videos" of your choice in Spanish or English can be provided to you free of charge from a library of over 450 titles. Subject matter includes Fleet Safety, Back Injury Prevention/Safe Lifting, Bloodborne Pathogens, Chemical Hazards, Emergency Preparedness, Ergonomics, Forklift Safety, Human Resources, Personal Protection, Supervisory Training, Lockout/Tagout, and many other subjects.
- A "Threat & Vulnerability Risk Assessment" will be provided evaluating key exposures to Vulnerability, Corporate Security Planning, Physical Security, Personnel Security, Training, Services, Location, and Industry, Sabotage & Terrorism, Incident Command and Control, Workplace Violence, Employee Inventory, Incident /Evacuation Drills, Natural Disasters, and Chemical/Bio-terrorism.
- Additional key services can be utilized as required to provide business solutions to issues including Slip and Fall Evaluations, Industrial Hygiene Surveys, Regulatory Audits, Return to Work Programs, Safety Accountability and Incentive Programs, Behavioral Safety, Fleet Training (on line and in person), and many other services. Please call us for additional information.

Note: The charge for AIGC has been included in your program.

**SECTION 9 - ATTACHMENTS**

LETTER OF CREDIT SAMPLE WORDING

BANK NAME

Page 1 of 2

FOR INTERNAL IDENTIFICATION  
PURPOSES ONLY

OUR NO.: \_\_\_\_\_ OTHER \_\_\_\_\_

APPLICANT: \_\_\_\_\_

ISSUE DATE: \_\_\_\_\_

IRREVOCABLE LETTER OF CREDIT NO. \_\_\_\_\_

TO:

National Union Fire Insurance Co. of Pittsburgh, PA, and  
American Home Assurance Company, and  
American International Specialty Lines Insurance Company, and  
The Insurance Company of the State of Pennsylvania, and  
Commerce and Industry Insurance Company, and  
AIU Insurance Company, and  
Birmingham Fire Insurance Company of Pennsylvania, and  
Illinois National Insurance Company, and  
American International South Insurance Company, and  
National Union Fire Insurance Company of Louisiana, and  
American International Pacific Insurance Company, and  
Granite State Insurance Company, and  
New Hampshire Insurance Company, and  
Lexington Insurance Company, and  
Landmark Insurance Company, and  
Starr Excess Liability Insurance Company Limited,

P.O. Box 923  
Wall Street Station  
New York, N.Y. 10268  
Attn: Mr. Art Stillwell

WE HEREBY ESTABLISH THIS IRREVOCABLE LETTER OF CREDIT IN FAVOR OF THE  
AFORESAID ADDRESSEES (EACH, THE "BENEFICIARY") FOR DRAWINGS UP TO UNITED STATES DOLLARS (   
AMOUNT IN WORDS ) EFFECTIVE IMMEDIATELY. THIS LETTER OF CREDIT IS ISSUED, PRESENTABLE AND  
PAYABLE AT OUR OFFICE AT (ISSUING BANK'S ADDRESS) AND EXPIRES WITH OUR CLOSE OF BUSINESS ON ,  
20 .THE TERM "BENEFICIARY" INCLUDES ANY SUCCESSOR BY OPERATION OF LAW OF EACH NAMED  
BENEFICIARY, INCLUDING, WITHOUT LIMITATION, ANY LIQUIDATOR, REHABILITATOR, RECEIVER OR  
CONSERVATOR.

WE HEREBY UNDERTAKE TO PROMPTLY HONOR YOUR SIGHT DRAFT(S) DRAWN ON US, INDICATING OUR  
CREDIT NO. \_\_\_\_\_, FOR ALL OR PART OF THIS CREDIT IF PRESENTED AT OUR OFFICE  
SPECIFIED IN PARAGRAPH ONE ON OR BEFORE THE EXPIRY DATE OR ANY

SECTION 9 - ATTACHMENTS

LETTER OF CREDIT SAMPLE WORDING (Continued)

Page 2 of 2

AUTOMATICALLY EXTENDED EXPIRY DATE. ANY ONE BENEFICIARY OR COMBINATION OF BENEFICIARIES, ACTING INDIVIDUALLY OR COLLECTIVELY, MAY DRAW ON THIS LETTER OF CREDIT IN FULL OR IN PART, AND ANY ACTION TAKEN BY ANY OR ALL BENEFICIARIES HEREUNDER SHALL BIND EACH OF THEM.

EXCEPT AS EXPRESSLY STATED HEREIN, THIS UNDERTAKING IS NOT SUBJECT TO ANY AGREEMENT, CONDITION OR QUALIFICATION. THE OBLIGATION OF (ISSUING BANK) UNDER THIS LETTER OF CREDIT IS THE INDIVIDUAL OBLIGATION OF (ISSUING BANK), AND IS IN NO WAY CONTINGENT UPON REIMBURSEMENT WITH RESPECT THERETO.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRY DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST THIRTY DAYS PRIOR TO ANY EXPIRATION DATE WE NOTIFY YOU BY REGISTERED MAIL THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH ADDITIONAL PERIOD.

THIS LETTER OF CREDIT IS SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, AND THE 1993 REVISION OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS OF THE INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION 500) AND, IN THE EVENT OF ANY CONFLICT, THE LAWS OF THE STATE OF NEW YORK WILL CONTROL. IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 17 OF SAID PUBLICATION 500, THE BANK HEREBY SPECIFICALLY AGREES TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN AGAINST WITHIN THIRTY (30) DAYS AFTER THE RESUMPTION OF BUSINESS.

VERY TRULY YOURS,

ISSUING BANK

COMMISSION

AGENCY  
Acordia of WV

AGENCY ACCOUNT CODE  
11657

ACCOUNT

THE UNITED COMPANY

Commission

Worker's Compensation 9%

Commission is payable:

Commissions if applicable will be paid as Company receives payment.

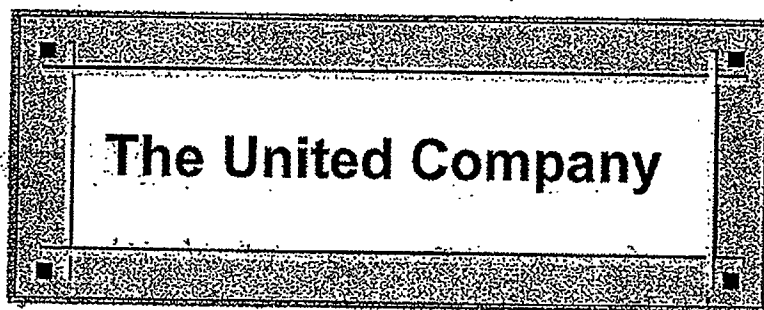
Unless otherwise indicated, Final adjustment of commission will take place after collection of Final Audit(s) or, if applicable, at the time of the first Plan Adjustment. In the event of the Final Audit(s) resulting in a return to the insured, you shall be obligated to return the appropriate portion of your commission as represented in such return.

Payment Of Counter Signature Fees ( If Any) Shall Be The Responsibility Of The Agency.

# EXHIBIT D

# Insurance Program Policy Kit

prepared for:



Date Prepared: January 19, 2007

presented by:

Acordia

Glenn McQuate, CPCU, ARM  
Senior Vice President  
276.619.6055  
glenn\_mcquate@acordia.com

This document was prepared for your convenience in reviewing the protection afforded by your insurance policies. Policies issued are based upon risk information supplied by you. These general descriptions are not intended to represent, supersede, or amend the actual terms, conditions, exclusions, or other provisions of insurance contracts. For full details, reference should be made to the specific policies involved. We remain available to discuss any additional coverages or increased limits you deem necessary.

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320 Federal Street, P.O. Box 1439 (ZIP 24701), Bluefield, WV 24701

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## INTRODUCTION

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This Insurance Program Policy Kit has been prepared for *The United Company* to provide a single repository for your insurance policies and insurance program management information.

### Overview

The names and telephone numbers of your Account Team have been included for your convenience. The **Notification Guidelines** serve as a reminder to you of certain events in your operation that require you to notify a member of your Account Team. The **Glossary of Terms** provides a brief description of certain insurance terms you may encounter in your policies or in the Coverage Descriptions. **Insurance Coverages**

The Insurance Coverages section contains your policies and related information. The **Important Notices** section contains optional information that may be valuable in the day-to-day management of your business operations. An **Insurance Program Index** precedes the individual policies. If any of your policies contain additional named insureds, a **Named Insured Display** is included. **Coverage Descriptions** *highlighting* the coverage amounts, deductibles, major exclusions and special conditions accompany each policy.

### Supplemental Information

The **Supplemental Information** section may be used to organize certificates, correspondence, binders, claim notices, etc.

If you have any questions regarding your Insurance Program or require claims or loss control service, do not hesitate to contact us.

Main Telephone Number .....304.327.3421

Fax Number .....304.325.8443

Written correspondence should be sent to:

320 Federal Street, P.O. Box 1439, Bluefield, WV 24701





## **NOTIFICATION GUIDELINES**

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Certain events may occur in your operation that require you to notify a member of your Account Team. Although there are many events that may impact your Insurance Program, we have included the following as a guide. Should any other event or change occur which you believe may impact your Insurance Program, *immediately* notify a member of your Account Team.

### **Claims and Occurrence Reporting**

*Any event* which causes injury or damage to any person or property or which could give rise to an allegation that injury or loss has occurred *should be reported immediately* to a member of your Acordia Account Team. Failure to do so may jeopardize your coverage or the ability of your insurance company to defend you at a future date.

### **Property Acquisition and Changes**

- Purchasing, leasing, or occupying new buildings or premises
- Acquisition of new property, vehicles, machines, etc.
- Additions or improvements in present structures
- Improvements in buildings you do not own
- Sale of a building
- Improvements in fire or theft protection
- Change in occupancy at any location
- Vacant or unoccupied structure for 30 days or more
- Large increase or decrease in inventory
- Larger amounts of money and securities on or off your premises
- Change in employee responsibility, which may affect your employee fidelity bond

### **Business Operation Changes**

- New operations not related to your present business
- Purchase of another business
- Formation or acquisition of any new corporation, partnership, trade name, joint ventures, etc.
- Any increase in hazard of which you are aware
- New contracts or purchase orders under which you may assume liability for another
- Dependence upon a single supplier or leader property



## **GLOSSARY OF TERMS**

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As you review your proposed Insurance Program, you may encounter some of the following terms. We will be glad to discuss any terminology requiring further explanation.

### **First Named Insured**

Many policies provide coverage for more than one insured. In that case, certain rights and responsibilities are granted to the First Named Insured. The First Named Insured is: (1) responsible for the payment of premiums, (2) authorized to request changes in the policy terms with the company's consent, (3) the only insured authorized to cancel the policy, and (4) the only insured designated to receive a notice of cancellation issued by the company.

### **Coinsurance**

Many property and marine policies contain a coinsurance provision. These policies, in return for a reduced rate, require the insured to carry insurance equal to a certain percentage of the property's value, usually 80, 90 or 100%. Failure to carry the required amount can result in a penalty in the event of a loss. Under certain circumstances, the coinsurance clause may be inapplicable due to state statutes.

### **Occurrence Form Liability**

An Occurrence Form is a liability coverage form that responds to covered losses that result from occurrences during the policy period regardless of when the claim or demand for damages is presented, even if the policy has expired.

### **Claims Made Liability**

A Claims Made Form is a liability coverage form that responds to covered losses for which a claim or demand for payment is presented during the policy period regardless of when the injury or damage occurred. There is no coverage for claims reported after the expiration or cancellation date unless an extended reporting period is purchased.

### **Exclusions**

Prominent causes of loss for which there is no coverage under the policy are referred to as exclusions. Exclusions are usually present in all policies because the cause of loss is: (1) catastrophic in nature, (2) not contemplated by the premium charged, or (3) more specifically insured under another policy. Please refer to the policies themselves for a complete list of exclusions, which we will be glad to discuss with you upon request.

### **Surplus Lines Company**

A surplus lines company is used to provide coverage or terms not available in the standard market. They are not licensed by your state and are not covered by guaranty funds. They are not under the regulation and control of the state insurance department. *Surplus lines companies used in our Policy Kit will be designated as such on the Insurance Program Index page.* We will provide the A.M. Best rating of any company used in our Policy Kit upon request.



## NAMED INSURED DISPLAY

The Named Insured Display lists all named insureds and the policies under which each is named. **Only those insureds shown are afforded coverage under your policy(ies) for which they are indicated.** Immediately notify a member of your Account Team if any other individuals, partnerships, organizations, joint ventures, etc. require insurance coverage, or if any are formed or acquired during the policy term.

	Worker's Compensation
The United Company	X
United Coal Co., LLC	X
Wellmore Coal Co.	X
Wellmore Coal Co., LLC	X
Banner Blue Coal Co.	X
The Banner Co.	X
Hokie Mining Co., Inc.	X
Access Coal Co.	X
Highwall Energy Co.	X
Surface Minerals Co.	X
Hilltop Energy Corp.	X
Patrick Coal Corp.	X
The Black Diamond Co.	X
Norton Coal Co., LLC	X
United Coal Support Services, LLC	X
Wellmore Energy Co., LLC	X
Sapphire Coal Co.	X
United Coal Handling, LLC	X
Kentar Energy Co.	X
Black Diamond Coal Co., LLC	X
Largso Resources, Inc.	X
Compac, Inc.	X



**NAMED INSURED DISPLAY...CONTINUED**

	Worker's Compensation
Black Watch Coal Co., LLC	X
Mountain Empire Energy Co.	X
United Equipment Leasing Co.	X
United Underground Management, LLC	X
North Star One, LLC	X



## **IMPORTANT NOTICES**

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### **Third-Party Liability Responsibility**

Governing law may hold you responsible for injuries or damages to third parties caused by actions of independent contractors, subcontractors, or service providers. Make sure all entities performing work for you or on your premises furnish you with Certificates of Insurance as evidence of their General Liability insurance. Certificates are provided without cost by insurers through their agents. You should keep these certificates on file.

### **Legal Responsibility for Employees of Others**

Governing law may hold you responsible for injuries to employees of independent contractors, subcontractors, or service providers working for you, on your behalf, or on your premises. Be sure to obtain Certificates of Insurance confirming they have Workers Compensation insurance. Certificates are provided without cost by insurers through their agents. You should keep these certificates on file.

### **Premium Audit**

Some rating classifications shown on your policy(ies) may be based on an estimate of the exposures you will have during the policy period. If your actual exposures are not properly described by these classifications, the proper classifications, rates, and premium basis may be changed by endorsement to or upon audit of the policy(ies). An audit may result in additional or return premium.

### **Certificates of Insurance**

The purpose of a Certificate of Insurance is to provide evidence to an interested third party that insurance is in force at the time of issuance. It is not a contract between the holder and the insurer and conveys no rights to the holder. When requested, we will issue Certificates of Insurance on your behalf at no charge; however, alterations to Certificates of Insurance may require prior approval of the insurance company, and any required amendments to your coverage may result in additional premium.

### **Indemnification Agreements**

In the course of conducting business, you may sign contracts, leases or agreements in which you assume obligations and/or liabilities of others. In some cases, you may assume responsibility for damages not covered by your insurance policy(ies). We recommend that your legal counsel review all contracts and insurance policies and advise us when changes are necessary.



## **IMPORTANT NOTICES...CONTINUED**

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### **Additional Insureds**

When you provide products or services to another, in addition to requesting a Certificate of Insurance, your client or customer may request that they be named as an Additional Insured on your insurance policy(ies). While this may be possible with the approval of your insurance company (and in some cases, the payment of an additional premium), you should consider the following when doing so:

- Your policy limits are shared with other entities, and claims will reduce or exhaust your aggregates
- You may provide higher limits than required by contract since your full policy limits are available to the Additional Insured
- There may be conflicts in defense when an insurer has to defend both you and the Additional Insured

Consult with your legal counsel and consider these ramifications prior to signing agreements that require you to provide insurance to another entity.



## **THE UNITED COMPANY'S INSURANCE PROGRAM INDEX**

The Insurance Program Index page lists each individual policy and references its specific tab number location. It also displays other policy-related information.

<b>TAB</b>	<b>COVERAGE</b>	<b>INSURANCE COMPANY POLICY NUMBER EXPIRATION DATE</b>	<b>ANNUAL PREMIUM AT INCEPTION</b>
<b>1</b>	Workers Compensation Policy	A.I. South Ins. Co. WC7209431 11/1/07	\$1,383,416.00
<b>TOTAL</b>			<b>\$1,383,416.00</b>

### **Disclaimer and Notice**

This Insurance Program Policy Kit serves only as a highlight of coverages contained in your insurance policies. It is not intended to replace, supersede, or amend the policies or the coverages and exclusions contained therein. Policy language controls the coverage provided.

We will be available to address any questions you may have. Questions regarding policy interpretation will be referred to your insurance company.



# COVERAGE DESCRIPTION WORKERS COMPENSATION

**First Named Insured:** THE UNITED COMPANY  
**Insurer:** A.I. South Insurance Company  
**Term:** 11/1/06 - 11/1/07  
**Policy No:** WC7209431  
**Premium:** \$1,383,416.00

**Coverage/Amounts:** *Part One-Workers Compensation*  
Provides statutory benefits as required by the state(s) of VA & KY.

*Part Two-Employers Liability*  
\$ 1,000,000 Bodily Injury by Accident/Each Accident  
\$ 1,000,000 Bodily Injury by Disease/Policy Limit  
\$ 1,000,000 Bodily Injury by Disease/Each Employee

Covers sums which you become legally liable to pay as damages arising out of bodily injury sustained by an employee in the course of employment.

*Part Three-Other States Insurance*  
Applies to states, other than those listed under *Part One* and the monopolistic states, in which you begin work *after* the effective date.

**Premium Basis:** The following classifications are an estimate of the exposures you will have during the policy period. If your actual exposures are not properly described by these classifications, the proper classes, rates, and premium bases may be adjusted upon audit of the policy. The audit may result in additional or return premium.

State	Classification	Payroll	Rate	Unmodified Premium (\$)
VA & KY	Work Comp Deductible Program	\$18,725,801	\$5.57	\$1,043,027
VA & KY	Work Comp Aggregate Stop	\$18,725,801	\$1.154	\$216,096

*This description does not contain complete insurance coverage details.*

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# **COVERAGE DESCRIPTION** **WORKERS COMPENSATION...CONTINUED**

2006 Experience Modification		1.00
Kentucky Tax	\$	124,293
Total Estimated Annual Premium	\$	1,383,416

## **Exclusions:**

Insurance policies contain exclusions that reduce or eliminate coverage for certain types of losses and must be referred to for complete insurance coverage details. Contact a member of your account team with any questions you may have.

## **Comments:**

- Make sure all entities performing work for you, on your behalf, or on your premises furnish you with a Certificate of Insurance evidencing their Workers Compensation insurance. Keep these certificates on file for insurance auditors. In their absence, the cost of independent or subcontractors may be included in your audited payroll.
- Notify a member of your Account Team if you establish any work sites in states not listed under Part One or Part Three.
- Many health insurance plans do not cover injuries incurred on the job. If your owners or officers have elected to be excluded from your Workers Compensation coverage, it is important to confirm that your health insurance plan covers work-related injuries.
- Deductible - \$1,000,000
- AIG is requiring collateral of \$2,323,000
- See policy regarding deductible, ALAE, and definitions.
- NCCI has not promulgated an experience modification. When received AIG will endorse to policy with adjustments at audit.

*This description does not contain complete insurance coverage details.*

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POLICYHOLDER NOTICE

Thank you for purchasing insurance from a member company of American International Group, Inc. (AIG). The AIG member companies generally pay compensation to brokers and independent agents, and may have paid compensation in connection with your policy. You can review and obtain information about the nature and range of compensation paid by AIG member companies to brokers and independent agents in the United States by visiting our website at [www.aigproducercompensation.com](http://www.aigproducercompensation.com) or by calling AIG at 1-800-706-3102.


ISSUED BY THE STOCK INSURANCE COMPANY HEREIN CALLED THE COMPANY  
 AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY  
 18139

AGENT NUMBER  
 11657-0000

POLICY NUMBER  
 WC 720-94-31  
 054-21-1106-00

CORPORATED UNDER THE LAWS OF PENNSYLVANIA  
 ITEM 1. NAMED INSURED: MAILING ADDRESS IDENTIFICATION NO.

THE UNITED COMPANY  
 1005 GLENWAY AVENUE  
 BRISTOL, VA 24201-3473

 Member Companies of  
 American International Group

EXECUTIVE OFFICES:  
 70 PINE STREET, NEW YORK, N.Y. 10270

SEE NAME AND ADDRESS SCHEDULE - WC990610  
 ID#

PRODUCERS NAME AND ADDRESS

**WORKERS COMPENSATION AND EMPLOYERS  
 LIABILITY POLICY INFORMATION PAGE**

ACORDIA OF WV-BLUEFIELD  
 320 FEDERAL ST  
 BLUEFIELD, WV 24701-3006

INSURED IS  
 CORPORATION

PREVIOUS POLICY NUMBER  
 NEW

OTHER WORKPLACES NOT SHOWN ABOVE SEE NAME AND ADDRESS SCHEDULE - WC990610

ITEM 2	POLICY PERIOD 12:01 A.M. standard time at the insured's mailing address		FROM 11/01/06	TO 11/01/07										
ITEM 3	<p>A. Workers Compensation Insurance: Part One of the policy applies to the Workers Compensation Law of the states listed here:          KY VA</p> <p>B. Employers Liability Insurance: Part Two of the policy applies to the work in each state listed in item 3.A.          The limits of our liability under Part Two are:</p> <table border="0"> <tr> <td>Bodily Injury by Accident \$</td> <td>1,000,000</td> <td>each accident</td> </tr> <tr> <td>Bodily Injury by Disease \$</td> <td>1,000,000</td> <td>policy limit</td> </tr> <tr> <td>Bodily Injury by Disease \$</td> <td>1,000,000</td> <td>each employee</td> </tr> </table> <p>C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here:          AK AR AZ CO CT DC GA HI IA ID IL IN KS LA MD MO MS NC NE NH NM NV OK OR PA RI SC SD TN          TX UT WI</p>				Bodily Injury by Accident \$	1,000,000	each accident	Bodily Injury by Disease \$	1,000,000	policy limit	Bodily Injury by Disease \$	1,000,000	each employee	
Bodily Injury by Accident \$	1,000,000	each accident												
Bodily Injury by Disease \$	1,000,000	policy limit												
Bodily Injury by Disease \$	1,000,000	each employee												
ITEM 4	<p>The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans.          All information required below is subject to verification and change by audit.</p> <table border="1"> <thead> <tr> <th>Classifications</th> <th>Code Number</th> <th>Estimated Total Remuneration <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year</th> <th>Rate Per \$100 OF Remuneration</th> <th>Estimated Premium <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year</th> </tr> </thead> <tbody> <tr> <td>SEE EXTENSION OF INFORMATION PAGE - WC7754 TAXES/ASSESSMENTS/SURCHARGES</td> <td></td> <td></td> <td></td> <td>\$124,293</td> </tr> </tbody> </table>				Classifications	Code Number	Estimated Total Remuneration <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year	Rate Per \$100 OF Remuneration	Estimated Premium <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year	SEE EXTENSION OF INFORMATION PAGE - WC7754 TAXES/ASSESSMENTS/SURCHARGES				\$124,293
Classifications	Code Number	Estimated Total Remuneration <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year	Rate Per \$100 OF Remuneration	Estimated Premium <input checked="" type="checkbox"/> Annual <input type="checkbox"/> 3 Year										
SEE EXTENSION OF INFORMATION PAGE - WC7754 TAXES/ASSESSMENTS/SURCHARGES				\$124,293										

EXPENSE CONSTANT (EXCEPT WHERE APPLICABLE BY STATE) \$160 VA

MINIMUM PREMIUM \$750 KY TOTAL ESTIMATED PREMIUM \$2,052,835

If indicated below, interim adjustments of premium shall be made:

☐ Semi-Annually ☐ Quarterly ☐ Monthly DEPOSIT PREMIUM \$2,052,835

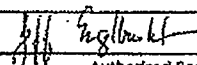
ENDORSEMENTS (FORM NUMBER) SEE ATTACHED FORM SCHEDULE - WC990612

11/28/06 CLEVELAND

21

Issue Date

Issuing Office

 Authorized Representative

WC 00 00 01

29967

INCURRED COPY

COMPLAINT 094

## FORMS SCHEDULE

Policy Number: WC 720-94-31

Effective Date: 11/01/2006

FORTRSM	FOREIGN TERRORISM POLHOLDR NOT-PREM DTMN
WC000102	FEDERAL COAL MINE HEALTH AND SAFETY ACT
WC000106A	LONGSHORE AND HARBOR WC ACT COVERAGE
WC000113	TRIA EXTENSION ACT ENDT.
WC000406	PREMIUM DISCOUNT ENDORSEMENT
WC000414	NOTIFICATION OF CHANGE IN OWNERSHIP ENDT
WC000421A	D-TEC PREMIUM ENDT.
WC000422	FOREIGN TERRORISM PREMIUM ENDT.
WC0FAC	NOTICE REG OFFICE OF FOREIGN ASSET CTRL
WC58509A	WC - PREMIUM CREDIT APPLICATION
WC990002A	LOSS REIMBURSEMENT ENDT
78052C	PRIVACY POLICY
WC000419	PREMIUM DUE DATE ENDORSEMENT
WC990011A	UNINTENTIONAL ERRORS AND OMISSIONS
WC990008A	AMENDMENT OF YOUR DUTIES IF INJURY OCCUR
60713WC	KY ADDENDUM TO APPLICATION
LWNKYNOTE	KY NOTICE OF RATE INCREASE
WC160601	KY CANCELLATION AND NON-RENEWAL ENDT.
WC991601A	KY AMENDATORY ENDT. ADDENDUM TO WC990002A
LWNINPH	VA NOTICE TO POLICYHOLDERS
WC450401	VA TERRORISM RISK INSURANCE EXT ACT ENDT
WC450602	VA AMENDATORY ENDORSEMENT
WC450604	VA CONTRACTING CLASS PREMIUM ADJUSTMENT
WC990610	NAMED INSUREDS/ADDRESSES
81461	LARGE RISK RATING PLAN ENDORSEMENT

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

New Hampshire Insurance Company  
2704 Commerce Drive, Suite B, Harrisburg, PA 17110

New Hampshire Indemnity Company, Inc.  
2704 Commerce Drive, Suite B, Harrisburg, PA 17110

American International South Insurance Company  
2704 Commerce Drive, Suite B, Harrisburg, PA 17110



Member Companies of  
American International Group, Inc.

EXECUTIVE OFFICES  
70 PINE STREET  
NEW YORK, N.Y. 10270

Coverage is provided by the Company designated on the Information Page  
A Stock Insurance Company

### WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY QUICK REFERENCE

	BEGINNING ON PAGE
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B. Who is Insured .....	1
C. Workers Compensation Law .....	1
D. State .....	1
E. Locations .....	1
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B. We Will Pay .....	1
C. We Will Defend .....	1
D. We Will Also Pay .....	1
E. Other Insurance .....	2
F. Payments You Must Make .....	2
G. Recovery From Others .....	2
H. Statutory Provisions .....	2

THESE POLICY PROVISIONS WITH THE INFORMATION PAGE AND ENDORSEMENTS,  
IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THIS POLICY.

"INCLUDES COPYRIGHT MATERIAL OF THE NATIONAL COUNCIL ON COMPENSATION  
INSURANCE, USED WITH ITS PERMISSION.

COPYRIGHT 1983 NATIONAL COUNCIL ON COMPENSATION INSURANCE"

56405WC (06/84)

INSURANCE COPY

COMPLAINT 096

**QUICK REFERENCE - CONTINUED**

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**IMPORTANT:** This Quick Reference is **not** part of the Workers Compensation and Employers Liability Policy and does **not** provide coverage. Refer to the Workers Compensation and Employers Liability Policy itself for actual contractual provisions.

**PLEASE READ THE WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY CAREFULLY**

ENCLOSURE COPY

ATTACH FORM AND ENDORSEMENTS (IF ANY) HERE

# **WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

In return for the payment of the premium and subject to all terms of this policy, we agree with you as follows.

## **GENERAL SECTION**

### **A. The Policy**

This policy includes at its effective date the Information Page and all endorsements and schedules listed there. It is a contract of insurance between you (the employer named in Item 1 of the Information Page) and us (the insurer named on the Information Page). The only agreements relating to this insurance are stated in this policy. The terms of this policy may not be changed or waived except by endorsement issued by us to be part of this policy.

### **B. Who Is Insured**

You are insured if you are an employer named in Item 1 of the Information Page. If that employer is a partnership, and if you are one of its partners, you are insured, but only in your capacity as an employer of the partnership's employees.

### **C. Workers Compensation Law**

Workers Compensation Law means the workers or workmen's compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page. It includes any amendments to that law which are in effect during the policy period. It does not include any federal workers or workmen's compensation law, any federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

### **D. State**

State means any state of the United States of America, and the District of Columbia.

### **E. Locations**

This policy covers all of your workplaces listed in Items 1 or 4 of the Information Page; and it covers all other workplaces in Item 3.A states unless you have other insurance or are self-insured for such workplaces.

## **PART ONE - WORKERS COMPENSATION INSURANCE**

### **A. How This Insurance Applies**

This workers compensation insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. Bodily injury by accident must occur during the policy period.
2. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

### **B. We Will Pay**

We will pay promptly when due the benefits required of you by the workers compensation law.

### **C. We Will Defend**

We have the right and duty to defend at our expense any claim, proceeding or suit against you for benefits payable by this insurance. We have the right to investigate and settle these claims, proceedings or suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance.

### **D. We Will Also Pay**

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding or suit we defend:

1. reasonable expenses incurred at our request, but not loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the amount payable under this insurance;

WC 00 00 00 A

3. litigation costs taxed against you;
4. interest on a judgment as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

#### E. Other Insurance

We will not pay more than our share of benefits and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that may apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance will be equal until the loss is paid.

#### F. Payments You Must Make

You are responsible for any payments in excess of the benefits regularly provided by the workers compensation law including those required because:

1. of your serious and willful misconduct;
2. you knowingly employ an employee in violation of law;
3. you fail to comply with a health or safety law or regulation; or
4. you discharge, coerce or otherwise discriminate against any employee in violation of the workers compensation law.

If we make any payments in excess of the benefits regularly provided by the workers compensation law on your behalf, you will reimburse us promptly.

#### G. Recovery From Others

We have your rights, and the rights of persons entitled to the benefits of this insurance, to recover

our payments from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

#### H. Statutory Provisions

These statements apply where they are required by law.

1. As between an injured worker and us, we have notice of the injury when you have notice.
2. Your default or the bankruptcy or insolvency of you or your estate will not relieve us of our duties under this insurance after an injury occurs.
3. We are directly and primarily liable to any person entitled to the benefits payable by this insurance. Those persons may enforce our duties; so may an agency authorized by law. Enforcement may be against us or against you and us.
4. Jurisdiction over you is jurisdiction over us for purposes of the workers compensation law. We are bound by decisions against you under that law, subject to the provisions of this policy that are not in conflict with that law.
5. This insurance conforms to the parts of the workers compensation law that apply to:
  - a. benefits payable by this insurance or;
  - b. special taxes, payments into security or other special funds, and assessments payable by us under that law.
6. Terms of this insurance that conflict with the workers compensation law are changed by this statement to conform to that law.

Nothing in these paragraphs relieves you of your duties under this policy.

### PART TWO - EMPLOYERS LIABILITY INSURANCE

#### A. How This Insurance Applies

This employers liability insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.
2. The employment must be necessary or incidental to your work in a state or territory listed in Item 3.A. of the Information Page.

3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
5. If you are sued, the original suit and any related legal actions for damages for bodily injury



by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

### ( B. We Will Pay

We will pay all sums you legally must pay as damages because of bodily injury to your employees, provided the bodily injury is covered by this Employers Liability Insurance.

The damages we will pay, where recovery is permitted by law, include damages:

1. for which you are liable to a third party by reason of a claim or suit against you by that third party to recover the damages claimed against such third party as a result of injury to your employee;
2. for care and loss of services; and
3. for consequential bodily injury to a spouse, child, parent, brother or sister of the injured employee;

provided that these damages are the direct consequence of bodily injury that arises out of and in the course of the injured employee's employment by you; and

4. because of bodily injury to your employee that arises out of and in the course of employment, claimed against you in a capacity other than as employer.

### C. Exclusions

This insurance does not cover:

1. liability assumed under a contract. This exclusion does not apply to a warranty that your work will be done in a workmanlike manner;
2. punitive or exemplary damages because of bodily injury to an employee employed in violation of law;
3. bodily injury to an employee while employed in violation of law with your actual knowledge or the actual knowledge of any of your executive officers;
4. any obligation imposed by a workers compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;
5. bodily injury intentionally caused or aggravated by you;

6. bodily injury occurring outside the United States of America, its territories or possessions, and Canada. This exclusion does not apply to bodily injury to a citizen or resident of the United States of America or Canada who is temporarily outside these countries;

7. damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any employee, or any personnel practices, policies, acts or omissions.

8. bodily injury to any person in work subject to the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC Sections 8171-8173), the Outer Continental Shelf Lands Act (43 USC Sections 1331-1356), the Defense Base Act (42 USC Sections 1661-1664), the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 901-942), any other federal workers or workmen's compensation law or other federal occupational disease law, or any amendments to these laws.

9. bodily injury to any person in work subject to the Federal Employers' Liability Act (45 USC Sections 51-60), any other federal laws obligating an employer to pay damages to an employee due to bodily injury arising out of or in the course of employment, or any amendments to those laws.

10. bodily injury to a master or member of the crew of any vessel.

11. fines or penalties imposed for violation of federal or state law.

12. damages payable under the Migrant and Seasonal Agricultural Worker Protection Act (29 USC Sections 1801-1872) and under any other federal law awarding damages for violation of those laws or regulations issued thereunder, and any amendments to those laws.

### D. We Will Defend

We have the right and duty to defend, at our expense, any claim, proceeding or suit against you for damages payable by this insurance. We have the right to investigate and settle these claims, proceedings and suits.

We have no duty to defend a claim, proceeding or suit that is not covered by this insurance. We have no duty to defend or continue defending after we have paid our applicable limit of liability under this insurance.

#### E. We Will Also Pay

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim proceeding, or suit we defend;

1. reasonable expenses incurred at our request; but not loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of our liability under this insurance;
3. litigation costs taxed against you;
4. interest on a judgment as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

#### F. Other Insurance

We will not pay more than our share of damages and costs covered by this insurance and other insurance or self-insurance. Subject to any limits of liability that apply, all shares will be equal until the loss is paid. If any insurance or self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

#### G. Limits of Liability

Our liability to pay for damages is limited. Our limits of liability are shown in Item 3.B. of the Information Page. They apply as explained below.

1. **Bodily Injury by Accident.** The limit shown for "bodily injury by accident-each accident" is the most we will pay for all damages covered by this insurance because of bodily injury to one or more employees in any one accident.

A disease is not bodily injury by accident unless it results directly from bodily injury by accident.

2. **Bodily Injury by Disease.** The limit shown for "bodily injury by disease-policy limit" is the most we will pay for all damages covered by this insurance and arising out of bodily injury by disease, regardless of the number of employees who sustain bodily injury by disease. The limit shown for "bodily injury by disease-each employee" is the most we will pay for all damages because of bodily injury by disease to any one employee.

Bodily injury by disease does not include disease that results directly from a bodily injury by accident.

3. We will not pay any claims for damages after we have paid the applicable limit of our liability under this insurance.

#### H. Recovery From Others

We have your rights to recover our payment from anyone liable for an injury covered by this insurance. You will do everything necessary to protect those rights for us and to help us enforce them.

#### I. Actions Against Us

There will be no right of action against us under this insurance unless:

1. You have complied with all the terms of this policy; and
2. The amount you owe has been determined with our consent or by actual trial and final judgment.

This insurance does not give anyone the right to add us as a defendant in an action against you to determine your liability. The bankruptcy or insolvency of you or your estate will not relieve us of our obligations under this Part.

### PART THREE - OTHER STATES INSURANCE

#### A. How This Insurance Applies

1. This other states insurance applies only if one or more states are shown in Item 3.C. of the Information Page.
2. If you begin work in any one of those states after the effective date of this policy and are not insured or are not self-insured for such work, all provisions of the policy will apply as

though that state were listed in Item 3.A. of the Information Page.

3. We will reimburse you for the benefits required by the workers compensation law of that state if we are not permitted to pay the benefits directly to persons entitled to them.
4. If you have work on the effective date of this policy in any state not listed in Item 3.A. of the

WC 00 00 00 A

Information Page, coverage will not be afforded for that state unless we are notified within thirty days.

#### B. Notice

Tell us at once if you begin work in any state listed in Item 3.C. of the Information Page.

### PART FOUR - YOUR DUTIES IF INJURY OCCURS

Tell us at once if injury occurs that may be covered by this policy. Your other duties are listed here.

1. Provide for immediate medical and other services required by the workers compensation law.
2. Give us or our agent the names and addresses of the injured persons and of witnesses, and other information we may need.
3. Promptly give us all notices, demands and legal papers related to the injury, claim, proceeding or suit.

4. Cooperate with us and assist us, as we may request, in the investigation, settlement or defense of any claim, proceeding or suit.
5. Do nothing after an injury occurs that would interfere with our right to recover from others.
6. Do not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

### PART FIVE - PREMIUM

#### A. Our Manuals

All premium for this policy will be determined by our manuals of rules, rates, rating plans and classifications. We may change our manuals and apply the changes to this policy if authorized by law or a governmental agency regulating this insurance.

that the employers of these persons lawfully secured their workers compensation obligations.

#### B. Classifications

Item 4 of the Information Page shows the rate and premium basis for certain business or work classifications. These classifications were assigned based on an estimate of the exposures you would have during the policy period. If your actual exposures are not properly described by those classifications, we will assign proper classifications, rates and premium basis by endorsement to this policy.

#### D. Premium Payments

You will pay all premium when due. You will pay the premium even if part or all of a workers compensation law is not valid.

#### C. Remuneration

Premium for each work classification is determined by multiplying a rate times a premium basis. Remuneration is the most common premium basis. This premium basis includes payroll and all other remuneration paid or payable during the policy period for the services of:

1. All your officers and employees engaged in work covered by this policy; and
2. All other persons engaged in work that could make us liable under Part One (Workers Compensation Insurance) of this policy. If you do not have payroll records for these persons, the contract price for their services and materials may be used as the premium basis. This paragraph 2 will not apply if you give us proof

#### E. Final Premium

The premium shown on the Information Page, schedules, and endorsements is an estimate. The final premium will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy. If the final premium is more than the premium you paid to us, you must pay us the balance. If it is less, we will refund the balance to you. The final premium will not be less than the highest minimum premium for the classifications covered by this policy.

If this policy is canceled, final premium will be determined in the following way unless our manuals provide otherwise.

1. If we cancel, final premium will be calculated pro rata based on the time this policy was in force. Final premium will not be less than the pro rata share of the minimum premium.
2. If you cancel, final premium will be more than pro rata; it will be based on the time this policy was in force, and increased by our short rate

cancellation table and procedure. Final premium will not be less than the minimum premium.

**F. Records**

You will keep records of information needed to compute premium. You will provide us with copies of those records when we ask for them.

**G. Audit**

You will let us examine and audit all your records that relate to this policy. These records include ledgers, journals, registers, vouchers, contracts, tax reports, payroll and disbursement records, and programs for storing and retrieving data. We may conduct the audits during regular business hours during the policy period and within three years after the policy period ends. Information developed by audit will be used to determine final premium. Insurance rate service organizations have the same rights we have under this provision.

**PART SIX - CONDITIONS**

**A. Inspection**

We have the right, but are not obliged to inspect your workplaces at any time. Our inspections are not safety inspections. They relate only to the insurability of the workplaces and the premiums to be charged. We may give you reports on the conditions we find. We may also recommend changes. While they may help reduce losses, we do not undertake to perform the duty of any person to provide for the health or safety of your employees or the public. We do not warrant that your workplaces are safe or healthful or that they comply with laws, regulations, codes or standards. Insurance rate service organizations have the same rights we have under this provision.

**B. Long Term Policy**

If the policy period is longer than one year and sixteen days, all provisions of this policy will apply as though a new policy were issued on each annual anniversary that this policy is in force.

**C. Transfer of Your Rights and Duties**

Your rights or duties under this policy may not be transferred without our written consent.

If you die and we receive notice within thirty days after your death, we will cover your legal representative as insured.

**D. Cancellation**

1. You may cancel this policy. You must mail or deliver advance written notice to us stating when the cancellation is to take effect.
2. We may cancel this policy. We must mail or deliver to you not less than ten days advance written notice stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice.
3. The policy period will end on the day and hour stated in the cancellation notice.
4. Any of these provisions that conflicts with a law that controls the cancellation of the insurance in this policy is changed by this statement to comply with that law.

**E. Sole Representative**

The insured first named in Item 1 of the Information Page will act on behalf of all insureds to change this policy, receive return premium, and give or receive notice of cancellation.

In Witness Whereof, the company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the company.




President  
New Hampshire Indemnity Company, Inc.



President  
American International South  
Insurance Company



President  
New Hampshire Insurance Company



Secretary  
American International South  
Insurance Company  
New Hampshire Insurance Company, Inc.  
New Hampshire Indemnity Company, Inc.

Page 1 of 1

## STANDARD WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY EXTENSION FORM

WC 720-94-31

VIRGINIA

Policy Prefix &amp; No.

Schedule

INTRA/Independent State Risk ID

054-21-1106-00

THE UNITED COMPANY

Item 4. Classification of Operations		Premium Basis	Rates	
Entries in this item, except as specifically provided elsewhere in this policy, do not modify any of the other provisions of this policy.	Code No.	Estimated Total Annual Remuneration	Per \$100 of Remuneration	Estimated Annual Premiums
RATING GROUP: 0001-01				
COAL MINE SURFACE - FEDERAL	0156	1,500,000	1.96	29,400
COAL MINE NOC - FEDERAL	0158	4,000,000	5.08	203,200
FOR REPORTING SUPPLEMENTAL DISEASE	0179	2,000,000	2.00	40,000
EXPERIENCE IN CONNECTION WITH EXPOSURE NOC				
COAL MINING-SURFACE & DRIVERS	1005	1,500,000	8.38	125,700
COAL MINE NOC - TRAUMATIC	1016	4,000,000	38.41	1,536,400
COAL MINE NOC - TRAUMATIC	1016F	IF ANY	72.98	
MACHINE SHOP NOC	3632	300,000	3.27	9,810
GRADING OF LAND NOC & DRIVERS	6217	300,000	5.27	15,810
COAL MERCHANT & LOCAL MANAGERS, DRIVERS	8233	2,000,000	5.76	115,200
ENGINEER OR ARCHITECT-CONSULTING	8601	450,000	0.79	3,555
CLERICAL OFFICE EMPLOYEES NOC.	8810	400,000	0.17	680
STATE OF VIRGINIA TOTALS				
TOTAL CLASSIFICATION PREMIUM				2,079,755
INCREASE LIMITS	3.30%	9812		59,636
JO FREE PROGRAM	-5.00%	9841		-93,340
TOTAL UNMODIFIED PREMIUM				1,773,451
MODIFIED STANDARD PREMIUM				1,773,451
UNDISCOUNTED PREMIUM				2,046,051
LOSS REIMB PLAN (NON-FEDERAL)	-47.58%	9866		-67,730
LOSS REIMB PLAN (FEDERAL)	-36.39%	9866		-593,558
PREMIUM DISCOUNT	-13.90%	0063		-246,510
DISCOUNTED PREMIUM				1,138,253
TAX PROVISION IN PREMIUM	3.84%	9719		33,241
EXPENSE CONSTANT		0900		160
TOTAL ESTIMATED PREMIUM				1,171,654
TOTAL DUE				1,171,654
TOTAL FOREIGN TERRORISM (TRIA) PREMIUM INCLUDED				
IN TOTAL ESTIMATED PREMIUM	\$54,158			

WC 7754 (Ed. 4-81)

See Name and Address Schedule - WC990610



Page 1 of 1

## STANDARD WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY EXTENSION FORM

WC 720-94-31

KENTUCKY

Policy Prefix &amp; No.

Schedule

INTRA/Independent State Risk ID

054-21-1106-00

THE UNITED COMPANY

Item 4. Classification of Operations		Premium Basis	Rates	
Entries in this item, except as specifically provided elsewhere in this policy, do not modify any of the other provisions of this policy.	Code No.	Estimated Total Annual Remuneration	Per \$100 of Remuneration	Estimated Annual Premiums
RATING GROUP: 0002-01				
COAL MINE SURFACE - FEDERAL	0156	1,972,806	2.75	54,252
COAL MINE NOC - FEDERAL	0158	6,865,502	5.75	394,766
FOR REPORTING SUPPLEMENTAL DISEASE	0179	338,001	2.00	6,760
EXPERIENCE IN CONNECTION WITH EXPOSURE NOC				
COAL MINING-SURFACE & DRIVERS	1005	1,972,806	6.67	131,586
COAL MINING-SURFACE & DRIVERS	1005F	IF ANY	9.27	
COAL MINING - NOC.	1016	6,865,502	17.47	1,199,403
COAL MERCHANT & LOCAL MANAGERS, DRIVERS	8233	338,001	6.92	23,390
WAREHOUSING NOC	8292	172,364	4.56	7,860
AUTOMOBILE: SERVICE OR REPAIR CENTER & DRIVERS.	8380	184,675	5.19	9,585
CLERICAL OFFICE EMPLOYEES NOC.	8810	242,453	0.34	824
STATE OF KENTUCKY TOTALS				
TOTAL CLASSIFICATION PREMIUM				1,828,426
INCREASE LIMITS 2.80%	9812			38,434
LOSS REIMB PLAN (NON-FEDERAL) -39.76%	9966			-17,027
LOSS REIMB PLAN (FEDERAL) -26.43%	9966			-361,630
TOTAL UNMODIFIED PREMIUM				1,032,425
SCHEDULE MODIFICATION -50.00%	9887			-516,213
MODIFIED STANDARD PREMIUM				516,212
UNDISCOUNTED PREMIUM				971,990
PREMIUM DISCOUNT -19.00%	0063			-98,080
DISCOUNTED PREMIUM				873,910
TAX PROVISION IN PREMIUM 0.10%	9719			418
FOREIGN TERRORISM (TRIA) 0.30%	9740			5,485
DOMESTIC TERRORISM, ET AL 0.014	9741			1,368
TOTAL ESTIMATED PREMIUM				881,181
KY SF (NON-COAL) SURCHARGE 6.50%	9688			2,641
KY SF (COAL) SURCHARGE 6.50%	9687			112,775
KY COAL WORKERS PNEUMOCONIOSIS FUND 0.50%	9698			8,877
TOTAL DUE				1,005,474

WC 7754 (Ed. 4-81)

See Name and Address Schedule - WC990610

**FOREIGN TERRORISM (TRIA) POLICYHOLDER NOTICE - PREMIUM DETERMINATION**

As indicated in Form No. WC 00 04 22, your Foreign Terrorism (TRIA) premium is shown in Form WC 7754. The schedule below shows how the premium for Foreign Terrorism (TRIA) is determined.

**Schedule**

State	Premium Determination Method
Arizona .....	Rate per \$100 of Remuneration <u>in addition to</u> rate included in Arizona premium as set forth below**.
Colorado, Connecticut, Florida, New Jersey, New Mexico and Wisconsin .....	Rate per \$100 of Remuneration.
New York .....	Rate per \$100 of Remuneration <u>and</u> rate applied to Total Classification Premium.
Idaho, Kansas, Maine, New Hampshire and Virginia .....	Included in Rates applied to Premium Basis (Remuneration) for calculation of annual premium for each applicable classification of operations.
Alabama, Alaska, Arkansas, Iowa, Montana, Nevada, Tennessee and Texas .....	Rate per \$100 of Remuneration <u>in addition to</u> charge included in rates applied to Premium Basis (Remuneration) for calculation of annual premium for each applicable classification of operations.
All Other States .....	Rate applied to Total Classification Premium.

Refer to Item 4 of the Information Page and State Schedule Pages form WC 7754 for the premium charged for the coverage provided for workers' compensation losses caused by an act of foreign terrorism. This premium is included in your Total Estimated Premium and is an estimate. The final premium for this coverage will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy.

The rates and rating methodologies used to calculate the premium charged for this coverage are subject to change. This means that the rates and rating methodologies applied when your policy was issued may be different from those applied when computing your premium after the issuance of the policy, for example, at time of audit

\*\* For policies issued by Commerce and Industry Insurance Company, AIU Insurance Company or New Hampshire Insurance Company the total premium for Arizona also includes a charge for this coverage in the rates applied to Premium Basis (Remuneration) for each applicable classification of operations.

For policies issued by American Home Assurance Company, American International South Insurance Company, Birmingham Fire Insurance Company of Pennsylvania, Granite State Insurance Company, Illinois National Insurance Co., National Union Fire Insurance Company of Pittsburgh, Pa. or The Insurance Company of the State of Pennsylvania the total premium for Arizona also includes a charge for this coverage determined by applying a rate against the Schedule Modification factor.



**FEDERAL COAL MINE HEALTH AND SAFETY ACT COVERAGE ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement applies only to work in a state shown in the Schedule and subject to the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 931-942). Part One (Workers Compensation Insurance) applies to that work as though that state were shown in Item 3.A of the Information Page.

The definition of workers compensation law includes the Federal Coal Mine Health and Safety Act of 1969 (30 USC Sections 931-942) and any amendment to that law that is in effect during the policy period.

Part One (Workers Compensation Insurance), section A.2., How This Insurance Applies, is replaced by the following:

Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period or, when the last exposure occurred prior to July 1, 1973, a claim based on that disease must be first filed against you during the policy period shown in item 2 of the Information Page.

**Schedule**

State

KY VA

WC 00 01 02  
(Ed. 4-84)

Countersigned by

  
Authorized Representative

**LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT COVERAGE ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement applies only to work subject to the Longshore and Harbor Workers' Compensation Act in a state shown in the Schedule. The policy applies to that work as though that state were listed in Item 3.A. of the Information Page.

General Section C. Workers' Compensation Law is replaced by the following:

**C. Workers' Compensation Law**

Workers' Compensation Law means the workers or workmen's compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page and the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950). It includes any amendments to those laws that are in effect during the policy period. It does not include any other federal workers or workmen's compensation law, other federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

Part Two (Employers Liability Insurance), C. Exclusions exclusion 8, does not apply to work subject to the Longshore and Harbor Workers' Compensation Act.

This endorsement does not apply to work subject to the Defense Base Act, the Outer Continental Shelf Lands Act, or the Nonappropriated Fund Instrumentalities Act.


**Schedule**

<u>State</u>	<u>Longshore and Harbor Workers' Compensation Act Coverage Percentage</u>
Kentucky	39.00 %
Virginia	90.00 %

The rates for classifications with code numbers not followed by the letter "F" are rates for work not ordinarily subject to the Longshore and Harbor Workers' Compensation Act. If this policy covers work under such classifications, and if the work is subject to the Longshore and Harbor Workers' Compensation Act, those non-F classification rates will be increased by the Longshore and Harbor Workers' Compensation Act Coverage Percentage shown in the Schedule.

WC 00 01 06A  
(Ed. 4/92)

Countersigned by \_\_\_\_\_



Authorized Representative

### TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.

#### Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply. "Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.
- e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.

WC 00 01 13  
(Ed. 01/06)

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Page 1 of 2

COMPLAINT 110

- f. For the period beginning on January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

**Limitation of Liability**

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

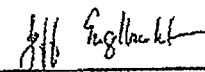
**Policyholder Disclosure Notice**

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for Program Year 4 and 85% for Program Year 5 of our insured terrorism or war losses exceeding our insurer deductible.
2. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or in the Schedule in the Foreign Terrorism Premium Endorsement. (WC 00 04 22), attached to this policy.

WC 00 01 13  
(Ed. 01/06)

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Countersigned by \_\_\_\_\_



Authorized Representative

Page 2 of 2

**PREMIUM DISCOUNT ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

The premium for this policy and the policies, if any, listed in Item 3 of the Schedule may be eligible for a discount. This endorsement shows your estimated discount in Items 1 or 2 of the Schedule. The final calculation of premium discount will be determined by our manuals and your premium basis as determined by audit. Premium subject to retrospective rating is not subject to premium discount.

**Schedule**

1. <u>State</u>	First	<u>Estimated Eligible Premium</u>		Balance
		Next	Next	
	\$5,000	\$95,000	\$400,000	
Kentucky		10.90	12.60	14.40
Virginia		10.90	12.60	14.40

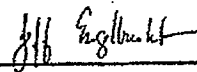
2. Average percentage discount: See Extension of Information Page

3. Other policies:

4. If there are no entries in Items 1, 2 and 3 of the Schedule, see Premium Discount Endorsement attached to your policy number:

WC 00 04 06  
(Ed. 4-84)

Countersigned by \_\_\_\_\_

  
Authorized Representative

**NOTIFICATION OF CHANGE IN OWNERSHIP ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

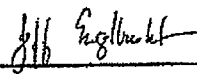
Experience rating is mandatory for all eligible insureds. The experience rating modification factor, if any, applicable to this policy, may change if there is a change in your ownership or in that of one or more of the entities eligible to be combined with you for experience rating purposes. Change in ownership includes sales, purchases, other transfers, mergers, consolidations, dissolutions, formations of a new entity and other changes provided for in the applicable experience rating plan manual.

You must report any change in ownership to us in writing within 90 days of such change. Failure to report such changes within this period may result in revision of the experience rating modification factor used to determine your premium.

THIS ENDORSEMENT IS NOT APPLICABLE IN NEW JERSEY, PENNSYLVANIA,  
ALASKA, CALIFORNIA, DELAWARE OR TEXAS.

WC 00 04 14  
(Ed. 07/90)

Countersigned by \_\_\_\_\_

  
Authorized Representative

**DOMESTIC TERRORISM, EARTHQUAKES, AND CATASTROPHIC INDUSTRIAL ACCIDENTS  
PREMIUM ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement is notification that your insurance carrier is charging premium to cover the losses that may occur in the event of domestic terrorism, earthquakes, and/or a catastrophic industrial accident.

The premium charge provides funding for the risk of earthquakes, catastrophic industrial accidents, and certain acts of domestic terrorism. It does not provide funding for acts of terrorism certified as such by the Terrorism Risk Insurance Act of 2002 and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005 (the Act), or acts of foreign terrorism as that term is defined in the Foreign Terrorism Premium Endorsement (WC 00 04 22), attached to this policy.

For purposes of this endorsement, the following definitions apply:

**Domestic terrorism:** All acts of terrorism outside the scope of the Act or the Foreign Terrorism Premium Endorsement (WC 00 04 22), with aggregate workers compensation losses in excess of \$50 million.

**Earthquake:** The shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity where aggregate workers compensation losses from the single event are in excess of \$50 million.

**Catastrophic Industrial Accident:** Any single event resulting in aggregate workers compensation losses in excess of \$50 million.

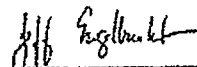
**Schedule**

Refer to State Schedule Pages Form WC7754

WC 00 04 21A  
(Ed. 01/06)

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Countersigned by \_\_\_\_\_



Authorized Representative

### FOREIGN TERRORISM PREMIUM ENDORSEMENT

( This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement is notification that your insurance carrier is charging premium for losses that may occur in the event of an act of foreign terrorism.

Your policy provides coverage for workers compensation losses caused by acts of foreign terrorism, including workers compensation benefit obligations dictated by state law. Coverage for such losses is still subject to all terms, definitions, exclusions, and conditions in your policy, and any applicable federal and/or state laws, rules, or regulations.

For purposes of this endorsement, an "act of foreign terrorism" is defined as:

- a. Any act that is violent or dangerous to human life, property or infrastructure; and
- b. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

( The premium charge for the coverage your policy provides for workers compensation losses caused by an act of foreign terrorism is shown in Item 4 of the Information Page or in the Schedule below.

#### Schedule

Refer to Item 4 of the Information Page and State Schedule Pages form WC 7754 for the premium charged for the coverage your policy provides for workers compensation losses caused by an act of foreign terrorism. This premium is included in your Total Estimated Premium and is an estimate. The final premium for this coverage will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy.

The rates and rating methodologies used to calculate the premium charged for this coverage are subject to change. This means that the rates and rating methodologies applied when your policy was issued may be different from those applied when computing your premium after the issuance of the policy, for example, at time of audit.

WC 00 04 22  
(Ed. 01/06)

Countersigned by \_\_\_\_\_

*JHB Engelbrecht*

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Authorized Representative



**IMPORTANT NOTICE TO OUR CUSTOMERS  
REGARDING THE  
OFFICE OF FOREIGN ASSETS CONTROL**

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Your rights as a policyholder and payments to you, any insured, additional insured, loss payee, mortgagee, or claimant, for loss under this policy may be affected by the administration and enforcement of U.S. economic embargoes and trade sanctions by the OFFICE OF FOREIGN ASSETS CONTROL ("OFAC").

**WHAT IS OFAC?**

OFAC is an office of the Department of the Treasury and acts under presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction. OFAC administers and enforces economic embargoes and trade sanctions primarily against:

- Targeted foreign countries and their agents
- Terrorism sponsoring agencies and organizations
- International narcotics traffickers

**PROHIBITED ACTIVITY**

- OFAC enforces certain embargoes and sanctions against certain designated countries. No U.S. business or person may enter into certain transactions in or connected to such designated "sanctioned" countries.
- OFAC maintains a directory known as the "Specially Designated Nationals and Blocked Persons" ("SDNBP") list. No U.S. business or person may transact business with any person or entity named on the SDNBP list.

Additional and more in-depth information on OFAC is available at the following website:  
<http://www.ustreas.gov/offices/eotf/ofac>.

**OBLIGATIONS PLACED ON US BY OFAC**

If we determine that you or any insured, additional insured, loss payee, mortgagee, or claimant are on the SDNBP list or are connected to a sanctioned country as described in the regulations enforced by OFAC, we must block or "freeze" property and payment of any funds transfers or transactions and report all blocks to OFAC within ten (10) days.

**POTENTIAL ACTIONS BY US**

1. We may immediately cancel your coverage effective on the day that we determine that we have transacted business with an individual or entity associated with your policy on the SDNBP list or connected to a sanctioned country as described in the regulations enforced by OFAC.
2. If we cancel your coverage, you will not receive a return premium unless approved by OFAC. All funds will be placed in an interest bearing blocked account established on the books of a U.S. financial institution.
3. We will not pay a claim, accept premium or exchange monies or assets of any kind to or with individuals, entities or companies (including a bank) on the SDNBP list or connected to a sanctioned country as described in the regulations enforced by OFAC. And, we will not defend or provide any other benefits under your policy to individuals, entities or companies on the SDNBP list or connected to a sanctioned country as described in the regulations enforced by OFAC.

**YOUR RIGHTS AS A POLICYHOLDER**

If funds are blocked or frozen by us in conjunction with the OFFICE OF FOREIGN ASSETS CONTROL, you may complete an "APPLICATION FOR THE RELEASE OF BLOCKED FUNDS" and apply for a specific license to request their release. Forms are available for download at the OFAC website. See  
<http://www.ustreas.gov/offices/eotf/ofac/legal/forms/license.pdf>

## WORKERS COMPENSATION - PREMIUM CREDIT APPLICATION

STATE \_\_\_\_\_ BUREAU FILE #: \_\_\_\_\_

INSURED \_\_\_\_\_

POLICY #: \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_\_ CARRIER \_\_\_\_\_

Notice: Unless Code(s), total wages paid, total hours worked, calendar quarter reported are indicated and application is signed, it cannot be processed. Must include non-construction class code payrolls. Corporate officers should be included in the appropriate class. Contact your agent or carrier if assistance is desired.

Is this a new business: \_\_\_\_\_ No \_\_\_\_\_ Yes

If no, submit information for the third calendar quarter (July, August, September) of the preceding calendar year as reported to taxing authorities. If yes, submit information for the first complete quarter following the effective date of your workers compensation policy.

CLASSIFICATION:	CLASS CODE	TOTAL WAGES PAID*	TOTAL HOURS WORKED (Incl. O.T.)
Example: Electrical Wiring	5190	\$8,000	520
Contracting Classification:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Non-contracting Classification:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

\* EXCLUDING OVERTIME PREMIUM PAY, for each classification code, combine all wages for that code in a single entry. Employee names are not required.

DELAWARE & PENNSYLVANIA ONLY: Total Wages includes overtime premium pay.

ALASKA, FLORIDA, HAWAII, ILLINOIS, MARYLAND, MINNESOTA, NEW MEXICO, OKLAHOMA, AND OREGON ONLY: Exclude from Total Wages overtime premium pay as well as all other exclusions in accordance with Rule V of the Basic Manual.

VIRGINIA ONLY: Include Total Wages as reported to the Virginia Employment Commission.

ILLINOIS, MISSOURI: Exclude the entire pay for any sole proprietor, partner, or executive officer.

The foregoing is based on actual wages and hours worked, as reflected in our payroll records for the complete calendar quarter ending \_\_\_\_\_.

SIGNATURE \_\_\_\_\_ POSITION \_\_\_\_\_

TELEPHONE NUMBER \_\_\_\_\_ DATE \_\_\_\_\_

ADDRESS \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_

PLEASE MAIL APPLICATION TO THE APPROPRIATE BUREAU

WC58509A  
(Ed. 07/01)

COMPLAINT 117

**LOSS REIMBURSEMENT ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This Endorsement applies solely between you and us. It does not affect the rights of others.

**I. Payment and Reimbursement Conditions**

**A. We will pay:**

1. all benefits and costs payable under PART ONE - WORKERS COMPENSATION INSURANCE; and
2. up to our limit of liability, all sums you legally must pay as damages and other costs to which PART TWO - EMPLOYERS LIABILITY applies; and
3. all benefits and costs payable under PART THREE - OTHER STATES INSURANCE; and
4. all benefits or damages and costs payable under any endorsements attached to the policy.

**B. You will reimburse us promptly up to the applicable reimbursement limit shown in the Schedule for any amounts we have so paid.**

**C. You will further reimburse us promptly for the following:**

1. any "allocated loss adjusting expense" we pay, according to one of the Options described below and selected in the Schedule. If no selection is indicated, Option A applies. Your obligation to reimburse us for "allocated loss adjusting expense" applies separately to "each accident" or, for bodily injury by disease, to "each claim".

a) **Option A:** All "allocated loss adjusting expenses" up to the amount by which the applicable reimbursement limit exceeds the amount you must reimburse us for benefits or damages we pay.

b) **Option B:** All "allocated loss adjusting expenses".

c) **Option C:** A part of all "allocated loss adjusting expenses" in the proportion that the sum you must reimburse us for benefits or damages bears to all benefits and damages we pay. If we make no payment of benefits or damages, you must reimburse us for all "allocated loss adjusting expenses" we pay up to the applicable Reimbursement Amount.

d) **Option D:** No "allocated loss adjusting expenses".

**D. Aggregate Limit:** If a Limit is shown in the Schedule as "Aggregate Limit", subject to items 1 and 2 below, that Limit is the most you must reimburse us in the aggregate for all benefits and damages and "allocated loss adjusting expenses" that we pay under this policy and the other policies described in the Schedule. If no Aggregate Limit is shown in the Schedule, no aggregate limit applies to your reimbursement obligation.

1. The Aggregate Limit (if any) shown in the Schedule is an estimate. Subject to item 2 below, the final Aggregate Limit will be determined after this policy ends by using the actual, not the estimated, Aggregate Limit Basis for all policies to which it applies and the rate shown in the Schedule.

2. The final Aggregate Limit will not be reduced if this or any other such policy is issued for a term of less than one year, or if this or any other such policy or this endorsement is canceled by you before the end of the policy period for any reason except your retirement from business.

**E. No limit on the Company's liability under the policy or any endorsement is increased or reinstated by this endorsement or by any reimbursement to us under the terms of this endorsement.**

**II. General Conditions**

**A. Duties**

1. The first Named Insured shown in the Information Page agrees and is authorized to reimburse us for any reimbursable amounts we pay on behalf of any Insureds, and to deliver to us the collateral described in Section B below.

2. Each Named Insured is jointly and severally liable for all reimbursable amounts under this policy.

3. All other terms of the policy, including those under PART FOUR of the policy ("YOUR DUTIES IF INJURY OCCURS") and those which apply to our right and duty to defend any claim, proceeding or suit against you, and our duties if injury or disease occurs, apply without change on account of this endorsement.

## LOSS REIMBURSEMENT ENDORSEMENT

## B. Loss Fund Deposit

In addition to the premium, you must pay us in cash at the inception of the policy the amount shown in the Schedule as the Loss Fund Deposit. We may commingle those funds with any other of our funds and use them in any lawful manner. We will have a possessory security interest in those funds. We will return the Loss Fund Deposit to you when you have paid us the premium under our offer to commute your remaining reimbursement obligations, if any, to a fixed payment of premium.

## C. Payment of Reimbursable Amounts and Delivery of Collateral

1. You must reimburse us within twenty (20) days of your receipt of an invoice from us up to the applicable reimbursement limit for any amounts that we pay as benefits or damages and for your share of the "allocated loss adjusting expense" and "unallocated loss adjusting expense".
2. You must deliver to us within thirty (30) days of the inception of this policy collateral acceptable to us in the forms and the amounts shown in the Schedule. We will have a possessory security interest in any property you deliver to us to secure such obligations. We will review the collateral as soon as practicable after the second anniversary of the inception of this policy, and annually thereafter. If we find that we require increased collateral, you will provide us such an increase within thirty (30) days of our request. If we find that we hold a surplus of collateral, we will return the surplus to you within thirty (30) days of our finding.
3. If you fail to reimburse us when due, we may liquidate any collateral in our possession and take ownership of the proceeds to the extent of all your debts to us. Any surplus of such proceeds in excess of your debt will remain in our possession as collateral until the commutation of your remaining reimbursement obligations under Paragraph D of this Section II.

## D. Cancellation

Part Six of the policy -- "CONDITIONS", Section D. "Cancellation" is amended to include the following:

If you fail to reimburse us or to deliver collateral to us when due, we may cancel this policy by mailing or delivering written notice to you not less than 10 days prior to the effective date of such cancellation stating the day and hour the cancellation is to take effect. Proof of the mailing of such notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to provide notice.

## E. Commutation

Upon your request, but not earlier than the second anniversary of the inception of this policy and not more often than annually thereafter, we must offer to commute your remaining reimbursement obligations, if any, to a fixed payment of premium. We may offer such terms at any time. You will have no obligation to accept our offer.

## F. Recovery From Others

We have your rights and the rights of persons entitled to the benefits of this insurance to recover all

payments, including those within your reimbursement limit, from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

If we recover any payment we made under this policy from anyone liable for the injury, the amount we recover will first be applied to any payments we made as benefits, damages and allocated loss adjusting expenses in excess of your reimbursement obligations, and to our expenses in obtaining the recovery. The remainder of the recovery, if any, will be applied to reduce the amount that is reimbursable by you.

## G. Unallocated Loss Adjusting Expense:

If an "unallocated loss adjusting expense" (ULAE) percentage is shown in the Schedule, an estimated provision for the "unallocated loss adjusting expense" we incur is included in the premium. We will determine the final provision in premium for "unallocated loss adjusting expense" by multiplying the ULAE percentage by the amount you must reimburse us for benefits and damages we have paid. We will recompute the premium for this insurance annually, beginning 18 months after the inception of this policy, to include the adjusted provision for ULAE. You must pay us any additional premium so computed. We will repay you any return premium so computed.

## III. Definitions

A. "Allocated loss adjusting expense" means claim adjusting expense allocated by us directly to particular claims. Such expenses shall include, but not be limited to, attorneys' fees for claims in suit, court costs, and other specific items of expense such as fees for medical examinations, expert testimony, laboratory, x-ray and autopsy services, stenographic services, witnesses and summonses, and copies of documents.

B. "Unallocated loss adjusting expense" means all claims adjusting expenses we incur other than "allocated loss adjusting expense".

C. "Claim" means each demand you receive for:

1. benefits required of you by the Workers' Compensation law, including a filing by your employee or by others legally entitled to do so on his or her behalf for such benefits with an agency authorized by law, and suit or other proceedings brought by your employee for such benefits or damages; or

2. damages covered by this policy.

D. "Standard Premium", if used as the Aggregate Limit Basis, means the premium for the policies described in the Schedule to which the Aggregate Reimbursable Limit applies, determined on the basis of authorized rates and bases of premium, applicable experience modification, and applicable schedule modification. Standard Premium does not include the following items: Expense Constant, Premium Discount; any Surcharge; Credit or Discount for any Loss Reimbursement or Deductible Program; Retrospective Rating premium adjustment; or any other item.





## PRIVACY POLICY

### Our Commitment to Privacy:

The AIG Companies (AIG) believe one of our most important assets is the trust consumers place in us to respect and properly handle nonpublic personal information received by us in connection with providing our products and services. To continue earning your trust and enhance the products and services offered to you, the companies listed below have adopted the following privacy policy to govern how we treat your nonpublic personal information including such information about our former customers.

It's important for you to know that this privacy policy applies only to the product or service you have just obtained or the insurance policy under which you are seeking or receiving benefits. As a large worldwide leader in the delivery of financial products and services, we offer numerous products and services to many types of consumers and clients in many different states and countries around the world. Therefore, each of our companies may issue different privacy policies to fit the specific products and services they offer.

### Information We Collect:

We collect information about you that is necessary to tailor our products and services to meet your individual needs, provide effective customer service, and comply with legal requirements.

We may collect nonpublic personal information about you, from one or more of the following sources:

- Information we receive from you on applications or other forms;
- Information about your transactions with us, our affiliates or others;
- Information we receive from a consumer-reporting agency; and
- Information received in handling claims.

### Sharing Information Within Our Family of Companies:

We may share some or all of the nonpublic personal information we collect with our affiliates - the members of the AIG family of companies, unless such sharing of information is prohibited by law. In many cases, the information that is shared may be at your request or is necessary to administer, process or otherwise handle your transactions with us or settle a claim on your behalf. In addition, we may provide this information to our affiliates in order to offer you products and services in which you may be interested.

Our family of companies includes many insurance companies (e.g., auto, home, and life insurance), insurance claims handling companies, other financial institutions (e.g., savings bank), and non-financial institutions.

### Sharing Information Outside the AIG Family:

Sometimes, we use companies or businesses outside the AIG family to administer, process, or otherwise handle your transactions with us, such as for claims handling or customer service. Other times, we may enter into contracts with nonaffiliated companies to perform services on our behalf, such as marketing our products and services, or we may enter into joint marketing agreements with other financial institutions. In these and other circumstances permitted by law, we may share some or all of the information we collect above with these nonaffiliated third parties. However, whenever we utilize a nonaffiliated third party to provide these services, they are required to follow federal privacy laws governing this notice. We also may share information to combat fraud, in response to a court order, or at the request of government regulators.

### Nonpublic Personal Health Information:

We will not disclose nonpublic personal health information about you without obtaining prior written authorization from you, except as permitted by applicable law or regulation.

**Protecting and Safeguarding Your Information:**

To help prevent unwarranted disclosure of your nonpublic information and secure it from theft, we utilize secure computer networks and restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you. In addition, we maintain physical, electronic, and procedural safeguards that comply with applicable laws and regulations to guard our customers' nonpublic personal information.

**Maintaining Accurate Information:**

We also maintain procedures to ensure that the information we collect is accurate, up-to-date, and as complete as possible. If you believe the information we have about you in our records or files is incomplete or inaccurate, you may request that we make additions or corrections, or if it is feasible, that we delete this information from our files. You may make this request in writing to (include your name, address and policy number):

Chief Privacy Officer  
AIG - Domestic Brokerage Group  
175 Water Street, 3rd Floor  
New York, NY 10038

FAX: 212-785-9495

e-mail: DBG.Privacy@AIG.com

*Special notice for policyholders who reside in any of the following states: Arizona, California, Connecticut, Georgia, Illinois, Kansas, Maine, Massachusetts, Minnesota, Montana, Nevada, New Jersey, North Carolina, Ohio, Oregon, Virginia or Wisconsin: You can obtain access to any nonpublic personal information we have about you if you properly identify yourself and submit a written request to us at the address above describing the information you want to review (include your name, address and policy number). Once we have received your request, and if the information is reasonably locatable and retrievable, we will, within 30 business days, take the following actions:*

- *Inform you of the nature and substance of the recorded information;*
- *Allow you to see and copy, in person, such recorded personal information; or*
- *Send you a copy of the recorded personal information by mail (we may charge you a reasonable fee to cover the cost of this service).*

*We will also tell you at this time the identity, if recorded, of persons to whom we have disclosed the nonpublic personal information within the preceding two years.*

*If you ask us to correct, amend or delete any information about you, we will, within 30 business days, either correct, amend or delete the nonpublic personal information in dispute or notify you of our refusal to take such action along with the reasons for our decision. If we make the correction, amendment or deletion you've requested, we will also notify you along with any person you designate who has received the information about you within the preceding two years, together with any insurance support organization(s) which provided us with the disputed information.*

*If we refuse to make the requested correction, amendment or deletion, you are permitted to file a concise statement setting forth what you think is the correct, relevant or fair information along with a statement of the reasons why you disagree with our refusal to correct, amend or delete the information subject to dispute. We will file your statement with the disputed personal information and make any person who reviews your file aware of your statement. We will also furnish your statement to any person who has received personal information from us within the two preceding years and any insurance support organization whose primary source of personal information is an insurer.*

**Important Information Concerning the Applicability and Future Changes to this Privacy Policy:**

This privacy policy applies, with respect to nonpublic personal financial information, to products or services provided primarily for personal, family, or household purposes in the United States by the AIG Companies listed below, and it applies to all nonpublic personal health information these Companies may have. Although we may change this policy at any time, please rest assured that you will be notified of any changes as required by law.

**AIG Companies Covered by this Policy:**

AIG Hawaii Insurance Company  
 AIU Insurance Company  
 American Home Assurance Company  
 American International Pacific Insurance Company  
 American International South Insurance Company  
 Birmingham Fire Insurance Company of Pennsylvania  
 Commerce and Industry Insurance Company  
 Granite State Insurance Company  
 Illinois National Insurance Co.  
 National Union Fire Insurance Company of Louisiana  
 National Union Fire Insurance Company of Pittsburgh, Pa.  
 New Hampshire Insurance Company  
 The Insurance Company of the State of Pennsylvania  
 American International Specialty Lines Insurance Company  
 American Pacific Insurance Company, Inc.  
 Landmark Insurance Company  
 Lexington Insurance Company  
 Agency Management Corporation  
 A. I. Risk Specialists Insurance, Inc.  
 A. I. Risk Specialists of Missouri, Inc.  
 American International Entertainment, Inc.  
 Eastern Risk Specialists, Inc.  
 Florida Risk Specialists, Inc.  
 The Gulf Agency, Inc.  
 Louisiana Risk Specialists, Inc.  
 Medical Excess Insurance Services, Inc.  
 Michigan Risk Specialists, Inc.  
 Midwestern Risk Specialists, Inc.  
 Nevada Risk Specialists, Inc.  
 New England Risk Specialists, Inc.  
 Northwestern Risk Specialists, Inc.  
 Risk Specialists Companies, Inc.  
 Risk Specialists Company (Bermuda), Ltd.  
 Risk Specialists Company of Colorado, Inc.  
 Risk Specialists Company of Kentucky, Inc.  
 Risk Specialists Company of Minnesota, Inc.  
 Risk Specialists Company of New Jersey, Inc.  
 Risk Specialists Company of New York, Inc.  
 Risk Specialists Company of Ohio, Inc.  
 Risk Specialists of the Carolinas, Inc.  
 Southeastern Risk Specialists, Inc.  
 Southern Risk Specialists, Inc.  
 Western Risk Specialists, Inc.  
 American International Surplus Lines Agency, Inc.  
 AIG Warranty Services and Insurance Agency, Inc.

and other member companies of the AIG family who sent you this privacy policy statement.

78052C

(Ed. 11/05)



**PREMIUM DUE DATE ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

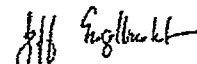
**PART FIVE  
PREMIUM**

**D. Premium is amended to read:**

You will pay all premium when due. You will pay the premium even if part or all of a workers compensation law is not valid. The due date for audit and retrospective premiums is the date of the billing.

WC 00 04 19  
(Ed. 01/01)

Countersigned by \_\_\_\_\_



Authorized Representative

ENCLOSURE COPY

**UNINTENTIONAL ERRORS AND OMISSIONS**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

**PART SIX - CONDITIONS** is amended by the addition of the following:

- F. Unintentional errors or omissions in representations made to us or our agent by you or any other insured before the inception of this policy will not impair your rights under this policy.

WC 99 00 11A  
(Ed. 10/03)

Countersigned by \_\_\_\_\_

*Jff Englund*

Authorized Representative

**AMENDMENT OF YOUR DUTIES IF INJURY OCCURS**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY.

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

**PART FOUR - YOUR DUTIES IF INJURY OCCURS** is replaced by the following:

Tell us at once if injury occurs that may be covered by this policy. Knowledge of an injury by your agent, your servant, or your employee shall not in itself constitute knowledge by you unless your director of risk management or his/her designee, at the address shown in the policy declarations, will have received such notice. Your other duties are listed here.

1. Provide for immediate medical and other services required by the workers compensation law.
2. Give us or our agent the names and addresses of the injured persons and of witnesses, and other information we may need.
3. Promptly give us all notices, demands and legal papers related to the injury, claim, proceeding or suit.
4. Cooperate with us and assist us, as we may request, in the investigation, settlement or defense of any claim, proceeding or suit.
5. Do nothing after an injury occurs that would interfere with our right to recover from others.
6. Do not voluntarily make payments, assume obligations or incur expenses, except at your own costs.

WC 99 00 08A  
(Ed. 10/03)

Countersigned by \_\_\_\_\_

*JHB Englbrecht*

Authorized Representative

INCIDENT'S COPY

**KENTUCKY**  
**ADDENDUM TO APPLICATION**

**POLICYHOLDER'S NOTICE**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

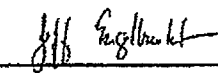
Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

60713WC  
(Ed. 07-94)

Countersigned by \_\_\_\_\_



Authorized Representative

NUMBER OF COPIES

**NOTICE OF RATE INCREASE**

**KENTUCKY**

( This endorsement increases the rates on your policy from its inception.

In December 2005, the State of Kentucky Labor Cabinet, Office of Workers' Claims, issued a new Workers' Compensation Medical Fee Schedule for Physicians. It becomes effective on February 15, 2006. It replaces the 2001 Fee Schedule.

Because of the increased physicians' fees, higher rates have been approved by the Kentucky Department of Insurance for Workers' Compensation policies becoming effective on or after February 15, 2006. This endorsement shows the new rates that apply to your policy, and the revised estimated annual premium.

(  
LWINKYNOTE  
(Ed. 02/06)

### KENTUCKY CANCELATION AND NONRENEWAL ENDORSEMENT

( This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement applies only to the insurance provided by the policy because Kentucky is shown in Item 3.A. of the Information Page.

The Cancellation Condition of the policy is replaced by the following:

#### Cancellation

1. You may cancel this policy. You will deliver or mail advance written notice to us, stating when the cancellation is to take effect.
2. We may cancel this policy. We will deliver or mail to you not less than 76 days advance written notice stating when the cancellation is to take effect and our reason or reasons for cancellation. If we cancel for nonpayment of premium or within 60 days of the date of issuance of the policy, we will deliver or mail this notice not less than 14 days prior to the effective date of cancellation. Proof of mailing of this notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice.
- ( 3. After coverage has been in effect more than 60 days or after the effective date of a renewal policy, we may not cancel the policy unless cancellation is based on one or more of the following reasons:
  - a. nonpayment of premium;
  - b. discovery of fraud or material misrepresentation made by you or with your knowledge in obtaining the policy, continuing the policy, or presenting a claim under the policy;
  - c. discovery of willful or reckless acts or omissions on your part increasing any hazard originally insured;
  - d. changes in conditions after the effective date of the policy or any renewal substantially increasing any hazard originally insured;
  - e. a violation of any local fire, health, safety, building, or construction regulation or ordinance at any of your covered workplaces substantially increasing any hazard originally insured;
  - f. our involuntary loss of reinsurance for the policy;
  - g. a determination by the commissioner that the continuation of the policy would place us in violation of Kentucky insurance laws.

#### Nonrenewal

1. We may elect not to renew the policy. We will deliver or mail to you not less than 75 days advance written notice stating our intention not to renew and our reason or reasons for nonrenewal. Proof of mailing of this notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice.
- ( 2. If we fail to provide the notice of nonrenewal as required, the policy will be deemed to be renewed for the ensuing policy period upon payment of the appropriate premium, and coverage will continue until you have accepted replacement coverage with another insurer, until you have agreed to the nonrenewal, or until the policy is canceled.

WC 16 06 01  
(Ed. 12/97)

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1 of 2  
INSURANCE COPY

3. If we have delivered or mailed to you a renewal notice, bill, certificate, or policy not less than 30 days before the end of the current policy period clearly stating the amount and due date of the renewal premium charge, then the policy will terminate on the due date without further notice unless the renewal premium is received by us or our agent on or before the due date. If the policy terminates in this manner, we will deliver or mail to you within 15 days of termination at your mailing address shown in Item 1 of the Information Page a notice that the policy was not renewed and the date on which coverage ceased to exist. Proof of mailing of the renewal premium to us or our agent on or before the due date will constitute a presumption of receipt on or before the due date.
4. If we offer to renew the policy for a premium amount more than 25% greater than the premium amount for the current policy term for like coverage and like risks, we will deliver or mail to you and to your agent not less than 75 days advance written notice of the renewal premium amount. We may at our option, in order to comply with this requirement, extend the period of coverage of the current policy at the expiring premium.

**KENTUCKY AMENDATORY ENDORSEMENT  
ADDENDUM TO LOSS REIMBURSEMENT ENDORSEMENT  
FORM NO. WC990002A (ED. 01/02)**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This policy is hereby amended as follows:

In consideration of the premium charged, it is hereby understood and agreed that **Section D. CANCELLATION** is deleted in its entirety and replaced with the following:

**D. CANCELLATION**

Part Six of the policy - " CONDITIONS ", Section D. "Cancellation" is amended to include the following:

If you fail to reimburse us, or fail to deliver collateral to us when due, or fail to pay us premium when due, we may cancel this policy by mailing or delivering written notice to you, stating the day and hour the cancellation is to take effect as follows:

- a. not less than 14 days prior to the effective date of such cancellation if cancellation occurs within 60 days of the date of issuance of the policy; or
- b. not less than 75 days prior to the effective date of such cancellation if the policy has been in effect more than 60 days.

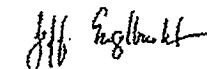
Written notification will be accompanied by a written explanation of the specific reason or reasons for the cancellation.

Proof of the mailing of such notice to you at your mailing address shown in item 1. of the Information Page will be sufficient to prove notice.

All other terms, conditions and exclusions remain unchanged.

WC 99 16 01A  
(Ed. 02/02)

Countersigned by \_\_\_\_\_



Authorized Representative

INSURED'S COPY



**ENDORSEMENT**

This endorsement, effective 12:01 AM 11/01/2006

Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

**IMPORTANT NOTICE TO POLICY HOLDERS**

In the event you need to contact someone about this policy for any reason please contact your agent. If you have additional questions you may contact the insurance company issuing this policy at the following address and telephone number:

A Member Company of American International Group Inc.  
70 Pine Street  
New York, N.Y. 10270  
Telephone 1-212-770-7000

If you have been unable to contact or obtain satisfaction from the company or the agent, you may contact the Virginia Bureau of Insurance at:

Property and Casualty Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, Virginia 23218

In state toll-free calls 1-800-552-7945  
Out-of-state calls 1-804-371-9741

Written correspondence is preferable so that a record of your inquiry is maintained. When contacting your agent, company or the Bureau of Insurance, have your policy number available.

  
\_\_\_\_\_  
Authorized Representative

Issue Date: 11/28/06

LWNINPH

ENCLOSURE COPY

## VIRGINIA TERRORISM RISK INSURANCE EXTENSION ACT ENDORSEMENT

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002 as amended by the Terrorism Risk Insurance Extension Act of 2005.

### Definitions

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments resulting from the Terrorism Risk Insurance Extension Act of 2005.

"Act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 15% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.
- e. For the period beginning on January 1, 2006 and ending on December 31, 2006, an amount equal to 17.5% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2006.
- f. For the period beginning January 1, 2007 and ending on December 31, 2007, an amount equal to 20% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2007.

### Limitation of Liability

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

WC 45 04 01  
(Ed. 01/06)

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Page 1 of 2  
AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

**Policyholder Disclosure Notice**

1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% for Program Year 4 and 85% for Program Year 5 of our insured terrorism or war losses exceeding our insurer deductible.
2. The premium charged for the coverage this policy provides for insured terrorism or war losses is included in the amount shown in Item 4 of the Information Page or the Schedule below.

**Schedule**

Refer to Item 4 of the Information Page and State Schedule Pages form WC 7754 for the premium charged for the coverage your policy provides for workers compensation losses caused by an act of foreign terrorism. This premium is included in your Total Estimated Premium and is an estimate. The final premium for this coverage will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy.

The rates and rating methodologies used to calculate the premium charged for this coverage are subject to change. This means that the rates and rating methodologies applied when your policy was issued may be different from those applied when computing your premium after the issuance of the policy, for example, at time of audit.

WC 45 04 01  
(Ed. 01/06)

Countersigned by \_\_\_\_\_

*JHB English*

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Page 2 of 2  
INSURANCE COPY

Authorized Representative

COMPLAINT 134

**VIRGINIA AMENDATORY ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY


This endorsement applies only to the Virginia insurance provided by the policy because Virginia is shown in item 3.A. of the Information Page.

For Virginia insurance Part Six.D. (Conditions-Cancelation) is replaced by:

1. You may cancel this policy. You must mail or deliver advance written notice to us. You must provide written notice of your cancelation, including the date of and reasons for the cancelation, to the Workers Compensation Commission.
2. We may cancel this policy. We will provide you with 30 days notice of cancelation. We will provide the Workers Compensation Commission with immediate notice of such cancelation. This provision does not apply if you have obtained other insurance and that insurer has notified the Workers Compensation Commission that it is now providing your insurance.
3. In the event of cancelation by you or us, you must provide 30 days written notice of the cancelation to your covered employees.
4. We may nonrenew your policy. We will provide 30 days notice to you and to the Workers Compensation Commission of our decision to nonrenew. This provision does not apply if you have obtained other insurance and that insurer has notified the Workers Compensation Commission that it is now providing your insurance.
5. If you fail to pay the premium due on this policy we may cancel the policy by providing 10 days notice to you and to the Workers Compensation Commission.

WC 45 06 02  
(Ed. 07-93)

Countersigned by \_\_\_\_\_



Authorized Representative

INSURER'S COPY

**VIRGINIA CONTRACTING CLASSIFICATION PREMIUM ADJUSTMENT ENDORSEMENT**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" need be completed only when this endorsement is issued subsequent to preparation of the policy).

This endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy No. WC 720-94-31

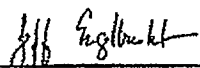
Issued to THE UNITED COMPANY

By AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

The premium for the policy may be adjusted by a Virginia Contracting Classification Premium Adjustment factor. The factor was not available when the policy was issued. If you qualify, we will issue an endorsement to show the premium adjustment factor after it is calculated.

WC 45 08 04  
(Ed. 1-97)

Countersigned by \_\_\_\_\_

  
Authorized Representative

PAGE 1

## ENDORSEMENT

This endorsement, effective 12:01 AM 11/01/2006

Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

LOC NO.	NAME AND ADDRESS SCHEDULE	FEIN	UI #
0001	SAPPHIRE COAL COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	
0002	UNITED COAL COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	
0003	SAPPHIRE COAL COMPANY 147 BIG BLUE BLVD WHITESBURG, KY 41858-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	542024819	
0004	SAPPHIRE COAL COMPANY POLLY MINE WHITESBURG, KY 41858-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	542024819	
0005	SAPPHIRE COAL COMPANY SANDLICK MINE WHITESBURG, KY 41858-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	542024819	
0006	SAPPHIRE COAL COMPANY ROUTE 7, 1 MILE NORTH OF ISOM WHITESBURG, KY 41858-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	542024819	
0007	SAPPHIRE COAL COMPANY 7727 HIGHWAY 931N WHITESBURG, KY 41858-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	542024819	
0008	UNITED COAL HANDLING, LLC NO FIXED ADDRESS ASHLAND, KY 41101-0000 BUSINESS TYPE: LIMITED LIABILITY COMPANY NAIC: 212111	061798839	

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Issue Date: 11/28/06

WC990610 (Ed. 1-97)

COMPLAINT 137

PAGE 2

## ENDORSEMENT

This endorsement, effective 12:01 AM 11/01/2006

Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

LOC NO.	NAME AND ADDRESS SCHEDULE	FEIN	UI #
0009	WELLMORE COAL COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0010	HOKIE MINING COMPANY, INC. ROUTE 83 NORA, VA 24272-0000 BUSINESS TYPE: CORPORATION	541675068	
0011	ACCESS COAL COMPANY JEWELL RIDGE TAZWELL, VA 99999-0000 BUSINESS TYPE: CORPORATION	541675068	
0012	HIGHWALL ENERGY COMPANY, INC. SURFACE MINE NEAR DISMAL NORA, VA 24272-0000 BUSINESS TYPE: CORPORATION	541675068	
0013	SURFACE MINERALS COMPANY SURFACE MINE NEAR CONWAY BIG ROCK, VA 24603-0000 BUSINESS TYPE: CORPORATION	541593526	
0014	HILLTOP ENERGY CORPORATION 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0015	PATRICK COAL CORPORATION 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0016	SURFACE MINERALS COMPANY BORDER OF BUCHANON, CO. VA & PIKE CITY NEAR GRUNDY, VA, KY 41524-0000 BUSINESS TYPE: CORPORATION NAIC: 212111	541593526	
0017	KENTAR ENERGY COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	

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Issue Date: 11/28/06

WC980610 (Ed. 1-97)

AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

PAGE 3

## ENDORSEMENT

This endorsement, effective 12:01 AM 11/01/2006

Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

LOC NO.	NAME AND ADDRESS SCHEDULE	FEIN	UI #
0018	BLACK DIAMOND COAL COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0019	NORTON COAL COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0020	LARGO RESOURCES, INC. 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0021	COMPAC, INC. 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0022	WELLMORE ENERGY COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0023	BLACK WATCH COAL COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0024	MOUNTAIN EMPIRE ENERGY COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0025	THE BLACK DIAMOND COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0026	BANNER BLUE COAL COMPANY APOLLO MINE #1 STATE ROUTE 609 MOUTH OF DEEL FORK HARMAN, VA 24618-0000 BUSINESS TYPE: CORPORATION	541675068	

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Issue Date: 11/28/06

WC990610 (Ed. 1-97)

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PAGE 4

## ENDORSEMENT

This endorsement, effective 12:01 AM 11/01/2006

Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

LOC NO.	NAME AND ADDRESS SCHEDULE	FEIN	UI #
0027	BANNER BLUE COAL COMPANY ROUTE 643 HURLEY, VA 24620-0000 BUSINESS TYPE: CORPORATION	541675068	
0028	BANNER BLUE COAL COMPANY LICK LOG MINE BIG ROCK, VA 24603-0000 BUSINESS TYPE: CORPORATION	541675068	
0029	BANNER BLUE COAL COMPANY BEE TREE MINE, ROUTE 610 BIG ROCK, VA 24603-0000 BUSINESS TYPE: CORPORATION	541675068	
0030	BANNER BLUE COAL COMPANY LOCUST THICKET MINE BREAKS, VA 24607-0000 BUSINESS TYPE: CORPORATION	541675068	
0031	THE BANNER COMPANY BRISTOL #8 NEECE CREEK NEAR DISMAL FORK NORA, VA 24272-0000 BUSINESS TYPE: CORPORATION	541347312	
0032	WELLMORE COAL COMPANY, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	541675068	
0033	UNITED COAL SUPPORT SERVICES, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: LIMITED LIABILITY COMPANY	412184935	
0034	UNITED EQUIPMENT LEASING COMPANY 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	
0035	UNITED UNDERGROUND MANAGEMENT, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	

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Issue Date: 11/28/06

WC990610 (Ed: 1-97)

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COMPLAINT 140

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ENDORSEMENT

This endorsement, effective 12:01 AM 11/01/2006

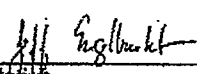
Forms a part of policy no.: WC 720-94-31

Issued to: THE UNITED COMPANY

By: AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY

LOC NO.	NAME AND ADDRESS SCHEDULE	FEIN	UI #
0036	UNITED COAL SUPPORT SERVICES, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	
0037	NORTH STAR ONE, LLC 1005 GLENWAY AVENUE BRISTOL, VA 24201-0000 BUSINESS TYPE: CORPORATION	542024819	

Issue Date: 11/28/06

  
Authorized Representative

WC990610 (Ed. 1-97)

INSURERS COPY

COMPLAINT 141

## LARGE RISK RATING PLAN ENDORSEMENT

### PLAN TYPE ONE YEAR

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" needs to be completed only when this endorsement is issued subsequent to the preparation of the policy.)

This Endorsement, effective 12:01 AM 11/01/2006 forms a part of Policy Number WC 7209431

Issued to THE UNITED COMPANY

By AI South Insurance Company

### PART I. GENERAL TERMS and CONDITIONS

This endorsement determines the *Final Premium* for the insurance provided during the Rating Period by this policy, any other policy described in this endorsement in Section 1 of PART II, and the renewals and replacements of each (the "policies"). The Rating Period begins and ends at 12:01 AM on the respective dates shown in Section 1 of PART II. If the Plan Type of this endorsement states Construction Project, this endorsement applies only to, and for the duration of, the construction project described in Section 1 of PART II.

The rates and the basis types described in PART II will remain fixed for the duration of the Rating Period, except (if applicable) Section 7 "Claims Service Charges on Fee Basis", Section 8 "Taxes, Assessments and Surcharges", and any applicable items set forth in Section 11 "Exceptions". These exceptions will be subject to change at each anniversary of the beginning of the Rating Period.

#### Section 1. Premium Calculation

The *Final Premium* for the policies will be the sum of the total *Subject Premium* and the total *Non-Subject Premium*. The way that the total *Subject Premium* will be determined is described below and is shown in Section 9, Item A of PART II. The way that the total *Non-Subject Premium* will be determined is described below and is shown in Section 9, Item B of PART II.

- A. **Total *Subject Premium*:** The total *Subject Premium* for the policies will be determined separately by state and kind of insurance. For each state and kind of insurance, the *Subject Premium* shall be the sum of *Subject Losses* and the Charges for the Insurance Charge, Expenses and Profit divided by the Tax/Assessment Divisor as determined below.
  1. **Subject Losses:** The first part of the *Subject Premium* will be the sum of all *Subject Losses* under any applicable terms of the policies described in Section 1 of PART II and as identified in Section 5, Item A of PART II.
  2. **Charges for Insurance Charge, Expenses and Profit:** The second part of the *Subject Premium* will be the component parts of the *Subject Premium* other than *Subject Losses* that are identified as line items in Section 9, Item A of PART II.
 

The entire estimated amount of each such charge can be found in Section 9, Item A of PART II subject to any applicable Minimum Premium shown for it.

We will apportion the entire amount of each such charge to each kind of insurance and state covered under the policies in proportion to the respective *Standard Premium* of each, except that:

    - a. Charges for claims service expenses will be allocated in proportion to respective *Subject Losses*, and
    - b. Charges for administrative expenses and profit for the kinds of insurance in the states described in Section 2 of PART II will be the difference between:
      - i. the *Final Premium* for such kinds of insurance and states determined as provided for in the policy other than by this Endorsement, and
      - ii. the sum of *Subject Losses*, all other charges for the Insurance Charge, Expenses and Profit included in this item 2, taxes and assessments determined through the application of the Tax/Assessment Divisor, and *Non-Subject Premiums* for such states.
  3. **Tax/Assessment Divisor:** One (1.000) less the Tax/Assessment Rate as shown in Section 9 Item A of PART II. The rate is calculated as indicated in Section 8 of PART II.
- B. **Total *Non-Subject Premium*:** The part of the *Final Premium* for the kinds or layers of insurance described in Section 9, Item B of PART II will be calculated as shown therein. If no Basis of premium determination for *Non-Subject Premium* is shown in Section 9, Item B of PART II, the *Non-Subject Premium* will be determined as set forth in the policy under which such insurance is provided.

## LARGE RISK RATING PLAN ENDORSEMENT

### Section 2. Schedule of Premium Adjustments

- A. The estimated *Final Premium* is shown in Section 9, Item C of PART II. We will recalculate the estimated *Final Premium* as soon as practicable after the First Valuation Date shown in Section 5 of PART II. We will recalculate the estimated *Final Premium* annually thereafter until you and we agree in writing that no more recalculations will be done.
- B. Additional premium due us, or return premium due you, resulting from the calculation or recalculation of the *Final Premium*, will be payable in its entirety promptly unless otherwise specified in a premium finance agreement between you and us.

### Section 3. Expected Total Cost

In addition to *Final Premium*, you may be liable under the terms of the policies for reimbursements of certain losses and *Allocated Loss Adjustment Expenses* we pay, subject to any *Minimum Cost* and *Maximum Cost* as described below, and surcharges. Our estimated amounts for such additional costs, if any, are shown in Section 9, Item C of PART II:

- A. **Minimum Cost:** If a *Minimum Cost* is applicable, that amount is the minimum you must pay for the *Subject Premium* and, if applicable, *Non-Subject Premium*, *Reimbursable Losses*, *Deductible Losses*, *Self-Insured Losses* and *ALAE* itemized in Section 6 Item A. c. of PART II. Component items not itemized in Section 6, Item A. c. of Part II are not included in the *Minimum Cost*. If an Adjustment Rate and a Basis of Adjustment are shown in Section 6, Item A. a. of PART II, the *Minimum Cost* will be determined by multiplying the Adjustment Rate by the actual Basis of Adjustment as determined by our final audit of your books and records.
- B. **Maximum Cost:** If a *Maximum Cost* is applicable, that amount is the maximum you must pay for *Subject Premium* and, if applicable, *Non-Subject Premium*, *Reimbursable Losses*, *Deductible Losses*, *Self-Insured Losses* and *ALAE* itemized in Section 6 Item B. c. of PART II. Component items not itemized in Section 6, Item B. c. of Part II are not included in the *Maximum Cost*. If an Adjustment Rate and a Basis of Adjustment are shown in Section 6, Item B. a. of PART II, the *Maximum Cost* will be determined by multiplying the Adjustment Rate by the actual Basis of Adjustment as determined by our final audit of your books and records.

### Section 4. Definitions

- A. "**Aggregate Stop Amount**" means the maximum amount of benefits, damages and *ALAE* payable by you for losses under the policies described in Section I of PART II, subject to any *Aggregate Stop Limit*.
- B. "**Aggregate Stop Limit**" means the maximum amount of benefits, damages and *ALAE* above the *Aggregate Stop Amount* that we will not require you to reimburse us for under any Loss Reimbursement or Deductible terms of the policies described in Section I of PART II.
- C. "**Allocated Loss Adjustment Expenses**" or "**ALAE**" will include all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorneys' fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records, and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of your or our subrogation rights.

*ALAE* will not include loss adjustment expenses explicitly included in the premium calculation formula of Section 1, Paragraph A, Item 2 of this PART I or otherwise explicitly included in the rating values shown in PART II; nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.

*ALAE* Option selected and shown in Section 3 of PART II is described below.

- a. **Option A:** *Subject Loss* includes all or a part of all *ALAE* such that the *Subject Loss* will not exceed the applicable *Retained Amount*.
- b. **Option B:** *Subject Loss* includes 100% of all *ALAE*.
- c. **Option C:** *Subject Loss* includes all or a part of *ALAE* calculated according to the following formula:
  - i. if we incur NO obligation under the policies to pay damages, benefits or indemnity resulting from a claim, *Subject Loss* under that claim will include all *ALAE* up to the applicable *Retained Amount* and a percentage of all *ALAE* in excess thereof. That percentage is shown in Section 3 of PART II under "Option C Excess %"; or

## LARGE RISK RATING PLAN ENDORSEMENT

- ii. If we DO incur an obligation to pay damages, benefits or indemnity under the policies because of a claim, *Subject Loss* under that claim will include all *ALAE* incurred under that claim, multiplied by the amount of our obligation to pay damages or benefits up to the applicable *Retained Amount*, divided by the total amount of our obligation to pay damages or benefits.

d. Option D: *Subject Loss* includes none of the *ALAE*.

- D. "Basis" will have the meaning(s) shown in Section 10 of PART II.
- E. "Deductible Loss" means any amount that you must reimburse us under a Deductible Endorsement of the policies described in Section I of PART II.
- F. "Final Premium" means the premium for the insurance afforded under the policies described in Section 1 of PART II and others as may be added by endorsement thereto, upon its final recalculation according to the terms of the policies and this endorsement. Prior to such final recalculation, the premium for such insurance is only the estimated premium.
- G. "Incurred Loss" means the total amount we have paid and have reserved for payment as damages or benefits because of an occurrence, accident, claim or suit, and all the *Allocated Loss Adjustment Expenses* we incur in connection therewith under a policy described in PART II, including reserves for occurrences, accidents, claims or suits that have happened but have not been reported to us and for statistically expected loss development on claims that have been reported to us.
- H. "Minimum Cost" means the minimum amount payable by you for the Schedule of *Subject Premium* and *Reimbursable Losses* and *Deductible Losses* and *Self-Insured Losses* and *ALAE*, if applicable, described in Section 6 of PART II.
- I. "Maximum Cost" means the maximum amount payable by you for the Schedule of *Subject Premium* and *Reimbursable Losses* and *Deductible Losses* and *Self-Insured Losses* and *ALAE*, if applicable, described in Section 6 of PART II.
- J. "Non-Subject Premium" means the premium not subject to the premium calculation of this endorsement.
- K. "Reimbursable Loss" means any amount that you must reimburse us under a Loss Reimbursement Endorsement of the policies described in Section I of Part II.
- L. "Retained Amount" means:
1. the amount that is specified as your Self-Insured Retention or as the Loss Reimbursement amount or Deductible amount applicable to an *Incurred Loss* in the applicable policy; or
  2. if the foregoing does not apply, the largest part of any damages or benefits paid or payable under a policy because of any single accident, occurrence, claim or suit, that we will include in the computation of the *Subject Premium*.
- Such amount is shown in Section 4 of PART II for each type of insurance afforded under the policies described in Section 1 of PART II.
- M. "Self-Insured Loss" or "SIR" means any loss you incur under a Self-Insured Retention of the policies described in Section I of PART II.
- N. "Standard Premium" means the premium as calculated according to the terms of each applicable policy, without application of this Endorsement, subject to the following:
1. For Workers Compensation and Employers Liability Insurance, *Standard Premium* means the premium determined on the basis of our rates as approved by regulatory authority, the remuneration of your employees in the coverage period, your Experience Modifications and Schedule Modifications, Loss Constant, and Minimum Premiums. Determination of *Standard Premium* will exclude:
    - a. any discount that recognizes any reduction in our expense ratio based on premium size or other factors; or
    - b. any discount for a Loss Reimbursement or Deductible.
    - c. Expense Constant.
  2. For all other insurance, *Standard Premium* is the premium as calculated according to the terms of each applicable policy for insurance within the *Retained Amounts*, but without the application of this Endorsement, and without reduction for:

## **LARGE RISK RATING PLAN ENDORSEMENT**

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- a. any discount that recognizes any reduction in our expense ratio based on premium size or other factors;  
or
  - b. any discount for a Loss Reimbursement or Deductible.
- O. "Subject Loss" means the entire *Incurred Loss* (including any reimbursable or deductible portion of it) up to the sum of:
- 1. the damages or benefits we must pay or have paid up to the *Retained Amount*, and
  - 2. all or a part of the *Allocated Loss Adjustment Expenses* we incur in accordance with the *ALAE* Option shown in Section 3 of PART II and defined in Item C of this section.
- P. "Subject Premium" means the premium subject to retrospective adjustment on the basis described in Section 1, Paragraph A of this PART I.

### **Section 5. Exceptions and Changes**

All exceptions and changes, if any, to the provisions of PART I, PART II or PART III of this endorsement are set forth in Section 11 of PART II or in a written addendum hereto.

**LARGE RISK RATING PLAN ENDORSEMENT****PART II. SCHEDULE of POLICIES and RATING VALUES****Section 1. APPLICATION of this Endorsement**

**RATING PERIOD:** This Endorsement applies to the period beginning 11/01/2006 and ending 11/01/2007.

The Basis of Premium, Subject Losses, Self-Insured Losses, Minimum Cost, Maximum Cost, Minimum Premiums and Estimated Premiums shown in Section 5, Section 6, Section 7 and Section 9 of this PART II are estimated amounts for:

☐ the first year of the Rating Period, or ☒ the entire Rating Period.

**POLICIES:** ☒ This Endorsement applies to the policies described below, and to their replacements and renewals effective during the Rating Period, or

☐ This Endorsement applies to the policies described below, and to their replacements and renewals, and all subcontractor policies issued under a **Construction Project**. The Construction Project is described as follows:

N/A

a. Workers Compensation and Employers Liability Insurance policies:

WC 7209431.

b. Commercial General Liability Insurance policies:

c. Automobile Liability Insurance policies:

d. Other Insurance policies (described):

**Section 2. Premiums for insurance on risks in states described below will be determined in accordance with the terms of the applicable policy other than this endorsement.**

Kinds of Insurance	States
None	NONE

**Section 3. Allocated Loss Adjustment Expenses Options**

ALAE Option (enter ALAE Option A, B, C or D as applicable)	If ALAE Option C, enter Excess %	Applies to
A	0%	WC 7209431 .



**LARGE RISK RATING PLAN ENDORSEMENT****Section 4. Retained Amounts:** ☒ applicable to all insureds; or ☐ refer to Extension Schedule

Kind of Insurance	Retained Amount	Applicable to	Limitations or Descriptions
<b>Workers Compensation</b>			
Workers Compensation and Employers Liability under State Law - Insured States	\$1,000,000	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability under Federal Law - Insured States	\$1,000,000	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability - Self-Insured States	\$0	Each Accident or each Person for Disease	
Employers Liability - Monopolistic States		Each Accident or each Person for Disease Each Accident or each Person for Disease	
<b>Commercial General Liability</b>			
Premises, Operations, Personal and Advertising Injury, Medical Payments, or Damage to Property Liability	\$0	Each Occurrence	
Products or Completed Operations Liability	\$0	Each Occurrence	
[Other]		Each Occurrence	
<b>Commercial Automobile Liability, including UM/UIM and PIP/No Fault, if any</b>			
Automobile Liability	\$0	Each Accident	
Garage Liability	\$0	Each Accident	
[Other]		Each Accident	
<b>Combined Kinds Retention</b>		Each Occurrence	

**Section 5. Forecast of Subject Losses**

We have shown our forecast of your *Subject Losses* below.

- a. Reimbursable and deductible portion of covered *Incurred Losses* (except amounts insured under "Deductible Liability Protection" policies, if any, subject to this Endorsement) \$2,323,000
- b. All other covered *Subject Losses* (including amounts insured under "Deductible Liability Protection" policies, if any, subject to this Endorsement) \$0

**First Loss Valuation Date:** 05/31/2007 and annually thereafter until all claims are closed or mutually agreed upon as to value.

**Section 6. Minimum Cost and Maximum Cost**

The *Minimum Cost* and *Maximum Cost*, if any, will be applied as explained below.

**Item A. Minimum Cost:** ☐ applicable, or ☒ not applicable

Line of Insurance: None

- a. *Minimum Cost*, adjustable on the Basis and rate shown below: \$0
- Basis of Adjustment: None Per 0
- Estimated Basis amount: \$0 Adjustment Rate: 0.0000



**LARGE RISK RATING PLAN ENDORSEMENT**

- b. *Self-Insured Losses* you incur to which no insurance under the policies described in Section 1 of this PART II applies will NOT be included in determining whether or when the *Minimum Cost* has been reached, except as described herein:

Exceptions: N/A

Our forecast of your *Self-Insured Losses* included in paragraph a. above \$0

- c. The following *Minimum Cost* itemization schedule applies:

Item B. *Maximum Cost*: ☐ applicable, or ☒ not applicable

Line of Insurance: None

The *Maximum Cost* will not be less than the estimated amount shown below, unless otherwise set forth in Section 11 of PART Two.

- a. *Maximum Cost*, adjustable on the *Basis* and rate shown below: \$0
- |                                |      |                  |        |
|--------------------------------|------|------------------|--------|
| Basis of Adjustment:           | None | Per              | 0      |
| Estimated <i>Basis</i> amount: | \$0  | Adjustment Rate: | 0.0000 |
- b. *Self-Insured Losses* you incur to which no insurance under the policies described in Section 1 of this PART II applies will NOT be included in determining whether or when the *Maximum Cost* has been reached, except as described herein:
- Exceptions: N/A
- Our forecast of your *Self-Insured Losses* included in paragraph a. above \$0
- c. The following *Maximum Cost* itemization schedule applies:

**LARGE RISK RATING PLAN ENDORSEMENT****Section 7. Claims Service Charges**

☐ Charge shown in Section 9, Item A *Subject Premium* of PART II, or ☐ fee schedule described below.

The Claims Service Provider is:

**FEE SCHEDULE**

☐ If X'ed here, the following fee schedule applies:

**Claims Services Fee Schedule - Rates per Claimant**

Type of Claim	Rate per Claimant	Estimated No. of Claimants	Estimated Fee
<b>Workers Comp</b>			
Medical	0.00	0	\$0
Indemnity	0.00	0	\$0
California	0.00	0	\$0
Texas	0.00	0	\$0
AOS	0.00	0	\$0
Surcharge Claims	0.00	0	\$0
Other	0.00	0	\$0
<b>General Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Other	0.00	0	\$0
<b>Product Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Other	0.00	0	\$0
<b>Automobile Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Physical Damage	0.00	0	\$0
Other	0.00	0	\$0
Incident Reports	0.00	0	\$0
Int. to Designated States	0.00	0	\$0
Other	0.00	0	\$0
<b>Estimated Total Rate-per-Claimant Fee</b>			<b>\$0</b>

**LARGE RISK RATING PLAN ENDORSEMENT**☐ If X'ed here, the following fee schedule applies:**Additional Service Fees Details**

<b>Additional Service Fees</b>	<b>Item Count</b>	<b>Rate/Item</b>	<b>Estimated Fee</b>
Quarterly Loss Report	0	0.00	\$0
Subcontractor Interoffice Supervision	0	0.00	\$0
Magnetic Tape Fee	0	0.00	\$0
Subrogation	0	0.00	\$0
Appraisals	0	0.00	\$0
TPA Expenses	0	0.00	\$0
GAB Expenses	0	0.00	\$0
Cash Management Account Services	0	0.00	\$0
Claim File Reviews	0	0.00	\$0
Contingency Recovery Fees	0	0.00	\$0
Incoming Quality Control	0	0.00	\$0
Legal Cost Control	0	0.00	\$0
Location Visits	0	0.00	\$0
Semiannual Client Meetings	0	0.00	\$0
RMIS Reports	0	0.00	\$0
Customized Account Servicing	0	0.00	\$0
Structured Settlement Program	0	0.00	\$0
Reporting	0	0.00	\$0
Conversion	0	0.00	\$0
Minimum Adjusting Fee	0	0.00	\$0
Intellirisk Charges	0	0.00	\$0
Administration Fee	0	0.00	\$0
<b>Estimated Additional Services Fee</b>			<b>\$0</b>

**Tail Fees Details**

<b>Tail Fees</b>	<b>Item Count</b>	<b>Rate/Item</b>	<b>Estimated Fee</b>
Workers Comp Med. Only	0	0.00	\$0
Workers Comp. Indemnity	0	0.00	\$0
General Liability	0	0.00	\$0
Products Liability	0	0.00	\$0
Auto Liability	0	0.00	\$0
Maintenance	0	0.00	\$0
<b>Estimated Tail Fee</b>			<b>\$0</b>

**LARGE RISK RATING PLAN ENDORSEMENT**☐ If X'ed here, the following fee schedules applies:**Fee Schedule - Time and Expenses**

Type of Charge	Rate	Per	Est. Units	Estimated Fee
Investigating Service by Employed Staff		Hour		
Adjuster		Hour		
General Adjuster		Hour		
Executive General Adjuster		Hour		
Heavy Equipment Appraiser		Hour		
Auto Damage Appraiser		Hour		
Property Damage Appraiser		Hour		
Supervisor		Hour		
Examiner		Hour		
Account Manager		Hour		
		Hour		
		Hour		
Subcontracted Investigations And Appraisals		Hour		
Clerical and Statistical Processing		Hour		
Other Expenses, including				
Telephone		Minute		
Postage & Express Mail		Cost		
Auto Mileage, Rental, Tolls, Parking		Mile		
Photocopies		Copy		
Photography		Photo		
Public Transportation		Cost		
Overhead		Flat		
Services Outside of USA				
<b>Estimated Total Time and Expense</b>				<b>\$0</b>
<b>Estimated Total Claims Service Expenses</b>				<b>\$0</b>

## **LARGE RISK RATING PLAN ENDORSEMENT**

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### **Section 8. Taxes and Assessments**

The taxes and assessments determined by the method indicated by the box "X'd" below shall apply in determining the *Final Premium* earned under the policies described in Section 1 of Part II during the first annual term of this endorsement. If the Rating Period under this endorsement is longer than 1 year, we will provide you written notice of the applicable taxes and assessments for the subsequent term of the Rating Period not less than thirty (30) days prior to each anniversary of this endorsement.

☒ **Item A. Fixed Rates**

The Average Rates for taxes and assessments are shown in Item A. of Section 9 of PART II. The Average Rates will be fixed and applied without change in determining the *Final Premiums* earned under the policies described in Section I of PART II during the first annual period of this Endorsement.

☐ **Item B. Rates to be Recalculated**

The Average Rates for taxes and assessments are shown in Item A. of Section 9 of Part II. The Average Rates will be recalculated to determine the *Final Premium* under the policies described in Section I of PART II, based on the rates shown in the chart below.

**LARGE RISK RATING PLAN ENDORSEMENT**

**Section 9. The Rating Values and Amounts** shown below apply as the *Basis* of the *Final Premium* for the policies described in Section 1 of this Part II.

If the Rating Period exceeds one year; and If the estimated *Basis* of Premium, Minimum Premiums and Estimated Premiums shown below apply only to the first year, on or about each anniversary of the beginning of the Rating Period, we will issue an extension of this Section to show the rating values and amounts for each subsequent year of the Rating Period.

**Item A. Subject Premium, part of Final Premium**

Line Items	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
\$1Mill WC Deductible Premium	5.5700	100	WC PAYROLL	18,725,801	\$0	\$1,043,027
Aggregate Stop Premium	1.1540	100	WC PAYROLL	18,725,801	\$216,096	\$216,096
<b>Subtotal</b>						<b>\$1,259,123</b>
Taxes/Assessments %	0.0000%	or	Taxes/Assessments Divisor:	0.000000		\$0
<b>Estimated Total Subject Premiums</b>						<b>\$1,259,123</b>

**Item B. Non-Subject Premiums, part of Final Premium**

Coverage Description	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
	0.0000	1		0	\$0	\$0
<b>Estimated Total Non-Subject Premiums</b>						<b>\$0</b>

**Item C. Summary of Expected Total Cost**

<b>Estimated Final Premium (Part A. plus Part B)</b>				\$1,259,123		
<b>Expected Reimbursable Losses and Deductible Losses and Self-Insured Losses and ALAE, if applicable</b>				\$2,323,000		
<b>Minimum Cost from Section 6. If not applicable, show \$0</b>				\$0		
<b>Maximum Cost from Section 6. If not applicable, show \$0</b>				\$0		
Surcharges:	0.0000	1	STANDARD PREMIUM	0	\$0	\$124,293
<b>EXPECTED TOTAL COST</b>						<b>\$3,706,416</b>

## LARGE RISK RATING PLAN ENDORSEMENT

### Section 10. Basis of Premium:

- Payroll:** means all of the money or the substitute for money earned during the terms of the policies described in Section 1 of this PART II by you if you are the proprietor of the insured business, by all partners or joint venturers if you are a partnership or joint venture, by all members if you are a limited liability company, and by all employees including temporary employees and workers leased by you from any employee leasing organization for their services to you during the policy period, subject to limitations set forth in the New York Workers Compensation Rating Bureau's manual rules, if applicable.
- Sales:** means the gross amount of money you or others trading in your name have charged for all goods and services you or they have sold or distributed during the terms of the policies described in Section 1 of this PART II, including charges for delivery, installation, service and repair, and including taxes other than taxes which you or such others collect as a separate item and remit directly to a government division.
- Receipts:** means the gross amount of money you have charged others for work that you, your partners, your employees, your contractors and subcontractors at all levels have performed during the terms of the policies described in Section 1 of this PART II, including taxes other than taxes which you or such others collect as a separate item and remit directly to a government division.
- Cost:** means the total cost to you for all work performed for you during the terms of the policies described in Section 1 of this PART II by independent contractors and their subcontractors at all levels, including the cost of all labor, materials, equipment and supplies furnished, used or delivered for use in the execution of such work, whether furnished by the owner, by contractors, or subcontractors at any level, including but not limited to all fees, allowances, bonuses, and commissions either made, paid or due, as well as taxes other than taxes which you collect as a separate item and remit directly to a government division.
- Units:** means the number of items of the type specified in this endorsement. Units that you hold for use in your business will mean the sum of their number at the inception of the terms of the policies described in Section 1 of this PART II plus their number at their expiration or termination, times 50% of the fraction of a full year that such policies were in force. Units that you sell to others whether for your own account or the account of another means the total number of such units that you sell during the term of such policies.
- Indemnity Losses:** means the total amount we have paid and have reserved for payment as Workers Compensation benefits other than Medical benefits under a policy described in this PART II, including reserves for accidents or illness that have happened but have not been reported to us and for statistically expected loss development on claims that have been reported to us.
- Other:** (Other)

### Section 11. Exceptions

**LARGE RISK RATING PLAN ENDORSEMENT****PART III. AGGREGATE STOP**

The *Aggregate Stop Amount* and the *Aggregate Stop Limit*, if any, shown in the Schedule below will be applied as explained below.

**Section I. Aggregate Stop Amount**

1. If an *Aggregate Stop Amount* is shown in the Schedule below, we will not include more than the *Aggregate Stop Amount* in the computation of the *Final Premium* and determination of maximum benefits, damages and "ALAE" payable or reimbursable by you under the terms of the policies described in Section I of PART II, subject to any *Aggregate Stop Limit* shown in the Schedule below.

The maximum benefits, damages and ALAE to be included in the computation of the *Final Premium* will be the *Aggregate Stop Amount* shown in the Schedule below, less the following:

- a) all *Subject Losses* that you must reimburse us for under any Loss Reimbursement or Deductible terms applicable to the policy covering the *Incurred Loss*, and
  - b) such amounts as described in Section III below that you have paid as *Self-Insured Losses*.
2. **Adjustment:** If an *Adjustment Rate* and an *Adjustment Basis* are shown in the Schedule below, the *Aggregate Stop Amount* shown in the Schedule below is only an estimate. The *Aggregate Stop Amount* will be finally determined by multiplying the *Adjustment Rate* by the final *Adjustment Basis* as determined by our audit of your books and records. The *Aggregate Stop Amount* will not be less than the estimated amount shown in the Schedule below, unless otherwise set forth in Section 11 of PART Two
3. The *Aggregate Stop Amount* will not be reduced on account of the cancellation of any policy to which this Endorsement applies.

**Section II. Aggregate Stop Limit**

1. If an *Aggregate Stop Limit* is shown in the Schedule below, that Limit is the most *Subject Losses* above the *Aggregate Stop Amount* that will be excluded from the computation of the *Final Premium* and which you will not be required to reimburse us for under any Loss Reimbursement or Deductible terms of the policies described in Section I of PART II.
2. The *Aggregate Stop Limit* will not be reduced on account of the cancellation of any policy to which this Endorsement applies.

**Section III. Self-Insured Losses**

**Self-Insured Losses:** Losses you incur to which no insurance applies under the policies described in Section I of PART II will NOT be included in determining whether or when the *Aggregate Stop Amount* or *Aggregate Stop Limit* have been reached, except as described herein:

Exceptions: None

**SCHEDULE****Aggregate Stop Amount and Aggregate Stop Limit**

Line of Insurance: Workers Compensation - Insured.

The *Aggregate Stop Amount* and the *Aggregate Stop Limit* apply to the ☐ first year of, or ☒ entire Rating Period.

- a. *Aggregate Stop Amount*, adjustable on the *Basis* and rate shown below. \$3,484,000
- b. *Basis of Adjustment* **WC PAYROLL** *Per* **100** *Estimated Basis* **\$18,725,801**  
*Amount:*
- Adjustment Rate:* **18.6053**
- c. *Aggregate Stop Limit* \$0

Countersigned by \_\_\_\_\_ Date \_\_\_\_\_  
 (Authorized Signature)



## **SUPPLEMENTAL INFORMATION**

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This section has been provided for *The United Company* to facilitate the collection of important Insurance Program information such as:

- Binders
- Certificates
- Claims Loss Notices
- Correspondence
- Meeting Minutes
- Premium Finance Agreement, if applicable



# EXHIBIT E

**CROSS-COLLATERALIZATION AGREEMENT**

Effective the 1<sup>st</sup> day of November 2006

by and between

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.**  
In its own behalf and on behalf of other American International Companies, including but not limited to:

American Home Assurance Company  
The Insurance Company of the State of Pennsylvania  
National Union Fire Insurance Company of Vermont  
Commerce and Industry Insurance Company  
Birmingham Fire Insurance Company  
Illinois National Insurance Company  
American International South Insurance Company  
AIU Insurance Company  
Granite State Insurance Company  
New Hampshire Insurance Company

(hereinafter called "Company", "us" or "our")

and

**SAPPHIRE COAL COMPANY**

(hereinafter called "Sapphire")

and

**THE UNITED COMPANY**

(hereinafter called "United")

**WHEREAS**, for the policy term commencing November 1, 2005, Company issued to Sapphire certain policies of insurance providing coverage on a deductible basis for commercial general liability, automobile liability, workers' compensation and employer's liability, ("Sapphire Policies"); and,

**WHEREAS**, in order to properly document all relevant components of Sapphire's deductible insurance program, including but not limited to Sapphire's financial and reimbursement obligations, the Company and Sapphire executed a payment agreement that, together with any and all addenda and schedules thereto, are hereinafter collectively referred to as the "Sapphire Agreements"; and,

**WHEREAS**, the Sapphire Policies in conjunction with the Sapphire Agreements collectively set forth the various obligations, including, but not limited to deductible obligation of Sapphire to Company ("Sapphire Obligations"); and,

**WHEREAS** in order to secure Company for the Sapphire Obligations, Sapphire has, pursuant to the terms and conditions of the Sapphire Agreements, provided to Company cash collateral, ("Sapphire Security"); and,

**WHEREAS**, for the policy term commencing November 1, 2006, Company issued to United, the parent company of Sapphire, certain policies of insurance providing coverage on a deductible basis for commercial general liability, automobile liability, workers' compensation and employer's liability, ("United Policies"); and,

**WHEREAS**, in order to properly document all relevant components of United's deductible insurance program, including but not limited to United's financial and reimbursement obligations, the Company and United executed a payment agreement that, together with any and all addenda and schedules thereto, are hereinafter collectively referred to as the "United Agreements"; and,

**WHEREAS**, the United Policies in conjunction with the United Agreements collectively set forth the various obligations, including, but not limited to, deductible obligation of United to Company ("United Obligations"); and,

**WHEREAS** in order to secure Company for the United Obligations, United is, pursuant to the terms and conditions of the United Agreements, required to procure for the benefit of the Company certain collateral in a form acceptable to Company, ("United Security"); and,

**WHEREAS**, Sapphire, United and Company (Collectively the "Parties") seek to have the Sapphire Security and United Security available to Company to secure both the Sapphire Obligations as well as the United Obligations; and,

**WHEREAS**, Company is agreeable to use of the Sapphire Security and United Security as collateral for both the Sapphire Obligations as well as the United Obligations.

**NOW THEREFORE**, in consideration of the payment of premium and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Nothing herein will serve to amend, alter or eliminate any right Company has under the Sapphire Agreements or United Agreements including, but not limited to, Company's ability to collect from Sapphire or United security under either Agreement as Company deems necessary.
2. This Cross Collateralization Agreement will not alter, amend or eliminate any of the terms and conditions of either the Sapphire or United Agreements.
3. In the event United divests itself of Sapphire, or the Sapphire Security or United Security is reduced to an amount that Company, at its sole discretion, contends is insufficient to adequately permit cross collateralization of the Sapphire Obligations or United Obligations, United will be required pursuant to the terms of the United Obligations, to procure for the benefit of the Company acceptable collateral as required by Company.
4. Nothing herein will serve to alter or amend the terms and conditions by which the Sapphire Security or United Security earn interest. Any and all interest applied to the Sapphire Security or United Security is subject to the terms of this Cross Collateralization Agreement. By the terms of this Cross Collateralization Agreement, Sapphire Security is not subject to the accrualment of any additional interest over and above the interest earned on the United Security.

5. This Cross Collateralization Agreement will terminate only upon the mutual written consent of the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives in New York, New York, this 11th day of December, 2006.

**NATIONAL UNION FIRE INSURANCE  
COMPANY OF PITTSBURGH, PA.**

On behalf of itself and its affiliated companies first named above

BY: Michael Stely

TITLE: Assistant Vice President

ADDRESS: 70 Pine Street  
New York, New York 10270

and in \_\_\_\_\_, this \_\_\_\_ day of December 2006,

**SAPPHIRE COAL COMPANY**

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

and in \_\_\_\_\_, this \_\_\_\_ day of December 2006,

**THE UNITED COMPANY**

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

# EXHIBIT F

**Pete Lunati**

---

**From:** Tom Griffin [TGriffin@unitedco.net]  
**Sent:** Wednesday, April 04, 2007 10:06 AM  
**To:** Pete Lunati  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement-PROBLEMS  
**Importance:** High

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: [tgriffin@unitedco.net](mailto:tgriffin@unitedco.net)

---

**From:** Tom Griffin  
**Sent:** Wednesday, February 14, 2007 9:47 AM  
**To:** 'Pete Lunati'; 'Janet Bradley'; 'Jack Stewart'  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement-PROBLEMS  
**Importance:** High

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: [tgriffin@unitedco.net](mailto:tgriffin@unitedco.net)

---

**From:** Tom Griffin  
**Sent:** Thursday, January 25, 2007 1:46 PM  
**To:** 'Harvey, Jimbill'; 'Mcquate, Glenn'  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement-PROBLEMS  
**Importance:** High

Glenn: As you can see there is a problem with AIG's proposed language. While we very much want to accommodate them we cannot do it in the manner required in the agreement in it's present form. Paragraph 3 is of major concern & we could not agree to those conditions. AIG needs to get real on this. -TDG

4/4/2007

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: [tgriffin@unitedco.net](mailto:tgriffin@unitedco.net)

---

**From:** Anita Gilliam  
**Sent:** Thursday, January 25, 2007 1:35 PM  
**To:** Tom Griffin; Kenny Dockery  
**Cc:** Brian Sullivan  
**Subject:** RE: United/Sapphire Cross Collateralization Agreement

Tom—

Typically in a cross-collateralization agreement the parties just agree that their respective collateral covers the obligations of both parties. The Cross-Collateralization Agreement that National Union proposes frankly doesn't quite do that while at the same time its terms go far beyond the typical cross-collateralization agreement. Paragraph 3 provides that if either the Sapphire Security or the United Security is reduced to the point that National Union deems itself insecure, then United must provide collateral acceptable to National Union; it also requires United to provide collateral acceptable to National Union if we sell Sapphire. Have we agreed to the terms of Paragraph 3, particularly the latter item obligating us to provide collateral even if we no longer own Sapphire?

Anita

---

**From:** Tom Griffin  
**Sent:** Thursday, January 18, 2007 3:36 PM  
**To:** Kenny Dockery  
**Cc:** Brian Sullivan; Anita Gilliam  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement  
**Importance:** High

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: [tgriffin@unitedco.net](mailto:tgriffin@unitedco.net)

---

**From:** Mcquate, Glenn [[mailto:glenn\\_mcquate@acordia.com](mailto:glenn_mcquate@acordia.com)]  
**Sent:** Thursday, January 18, 2007 7:42 AM

4/18/2007



**To:** Tom Griffin  
**Cc:** Shiley, Michael; Harvey, Jimbill  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement

Tom,

I received the note below from Mike Shiley concerning the cross-collateralization agreement. I've attached another copy of the agreement.

Please have the agreement signed/executed and return to me.

Thanks for all of your assistance.

Glenn

---

**From:** Shiley, Michael [mailto:Michael.Shiley@AIG.com]  
**Sent:** Wednesday, January 17, 2007 2:17 PM  
**To:** Mcquate, Glenn; Harvey, Jimbill  
**Cc:** Lappe, Les  
**Subject:** FW: United/Sapphire Cross Collateralization Agreement

Glenn, can you check with Tom Griffin and update us on the status of this? Thanks.

Mike Shiley  
Assistant Vice President  
AIG Global Marine and Energy - Casualty  
1375 E. 9th St., Suite 3000  
Cleveland, OH 44114  
(216) 479-8948  
(216) 696-2842 fax

-----Original Message-----

**From:** Philippides, Thomas  
**Sent:** Wednesday, January 17, 2007 11:02 AM  
**To:** Lappe, Les; Shiley, Michael  
**Cc:** Pasko, Mark; Horner, Harry; Philippides, Thomas  
**Subject:** United/Sapphire Cross Collateralization Agreement

Do we need more time to receive this document signed?  
Can we follow-up with a confirmation date?

Thanks,  
Tom....

=====

-----Original Message-----

**From:** Philippides, Thomas  
**Sent:** Thursday, January 04, 2007 9:00 AM  
**To:** Lappe, Les; Shiley, Michael  
**Cc:** Pasko, Mark; Philippides, Thomas; Horner, Harry  
**Subject:** United/Sapphire Cross Collateralization Agreement  
**Importance:** High

1/18/2007

Please remind our good friends that this item is still O/S and I would appreciate it signed by 1/12/07. Our entire security structure is based on the cross collateralization agreement.

Thanks,  
Tom....

-----Original Message-----

**From:** Phillpides, Thomas  
**Sent:** Friday, December 08, 2006 4:56 PM  
**To:** Lappe, Les; Shiley, Michael  
**Cc:** Pasko, Mark  
**Subject:** United/Sapphire Cross Collateralization Agreement

OK to go, see attached.

Tom....

-----Original Message-----

**From:** Pasko, Mark  
**Sent:** Tuesday, November 14, 2006 5:04 PM  
**To:** Phillpides, Thomas  
**Subject:** United/Sapphire Cross Collateralization Agreement

Tom;

Please see the attached draft. Please look at the last sentence in para 4 and determine whether that is still necessary. Let me know if you have any edits. Thanks.

---

**Mark T. Pasko**  
Division Counsel  
AIG Global Marine and Energy  
175 Water Street, 15th Floor  
New York, NY 10038  
Tel: (212) 458-5707  
Fax: (212) 458-5887

**PRIVILEGED AND CONFIDENTIAL:**

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# EXHIBIT G

**Pete Lunati**

---

**From:** Tom Griffin [TGriffin@unitedco.net]  
**Sent:** Wednesday, April 04, 2007 10:07 AM  
**To:** Pete Lunati  
**Subject:** FW: AIG Cross Collateralization Agreement

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: tgriffin@unitedco.net

-----Original Message-----

**From:** Horner, Harry [mailto:Harry.Horner@AIG.com]  
**Sent:** Wednesday, February 14, 2007 11:55 AM  
**To:** Shiley, Michael; Tom Griffin  
**Cc:** 'Mcquate, Glenn'; 'jimbill\_harvey@acordia.com'; Anita Gilliam; Philippides, Thomas;  
Ford, Brian; Horner, Harry  
**Subject:** RE: AIG Cross Collateralization Agreement

Tom, this is a very serious issue here and will be addressed by this Friday, February 16th. One we receive from United the signed cross-collateralization agreement or AIG will send out a bill for the amount of the current Letter of Credit. We have attempted numerous times to resolve issues that you and/or United may have but, our attempts have failed.

Tom, we value our relationship with you and United but, in this situation we MUST have the signed cross-collateralization agreement - PERIOD.

Regards  
Harry

Harry Horner  
Senior Vice President  
AIG Global Energy Casualty  
215-255-6258 - Phone  
215-255-6542 - Fax  
215-519-8974 - Cell  
harry.horner@aig.com

-----Original Message-----

**From:** Shiley, Michael  
**Sent:** Wednesday, February 14, 2007 11:35 AM  
**To:** 'Tom Griffin'; Horner, Harry  
**Cc:** Mcquate, Glenn; jimbill\_harvey@acordia.com; Anita Gilliam  
**Subject:** RE: AIG Cross Collateralization Agreement

Tom, as per my phonemail message, we need this cross-collateralization agreement by this Friday. In speaking to our Chief Credit Officer, Tom Philippides today, he advised that he never received a call on the specific issues raised by Anita in her e-mail to you dated 1/25/07. He also confirmed that this is AIG's standard CC agreement that all insured's that provide cross-collateralization, sign without modification. Finally, United, is our only insured that has a cross-collateralization agreement. Please call me today so we can discuss. Thanks.

Mike Shiley  
Assistant Vice President  
AIG Global Marine and Energy  
1375 E. 9th St., Suite 3000  
Cleveland, OH 44114  
phone (216) 479-8948  
fax (216) 696-2842

-----Original Message-----

From: Tom Griffin [mailto:TGriffin@unitedco.net]  
Sent: Wednesday, February 14, 2007 9:43 AM  
To: Shiley, Michael  
Cc: Mcquate, Glenn; jimbill\_harvey@acordia.com; Anita Gilliam  
Subject: RE: AIG Cross Collateralization Agreement  
Importance: High

Mike: We have major problems with it in present form as discussed before. Glen has been made aware of our concerns & I could not envision anyone signing such a document with the evergreen wording in present form. I have discussed with other coal co's who have similar deals with AIG & none say they have the wording that gives us concern. We very much want to work with you on this but there needs to be some consideration on AIG's part in an effort to resolve this. I have been a very big customer of AIG's for years & have paid SIGNIFICANT \$ to various AIG entities resulting in a VERY PROFITABLE book of business for your companies. We have always worked very well together whether it be in London thru LEX or domestically thru National Union ect. The United Co is a very profitable company which back-stops all UCC obligations in this program thus I would assume AIG could accommodate our concerns in this area. Thank you in advance for all of your efforts on this.-TDG

Thomas D. Griffin,  
Vice President of Risk Management,  
The United Company

Phone: (276) 645-1416  
Mobile: (423) 534-8352  
Fax: (276) 645-1404  
email: tgriffin@unitedco.net

-----Original Message-----

From: Shiley, Michael [mailto:Michael.Shiley@AIG.com]  
Sent: Wednesday, February 14, 2007 9:14 AM  
To: Tom Griffin  
Co: 'Glenn McQuate'  
Subject: RE: AIG Cross Collateralization Agreement

Tom, it is imperative that we have this cross-collateralization agreement in hand by this Friday.

Mike Shiley  
Assistant Vice President  
AIG Global Marine and Energy  
1375 E. 9th St., Suite 3000  
Cleveland, OH 44114  
phone (216) 479-8948  
fax (216) 696-2842

-----Original Message-----

From: Mcquate, Glenn [mailto:Glenn.Mcquate@wellsfargois.com]  
Sent: Tuesday, February 13, 2007 8:24 PM  
To: tgriffin@ucbristol.com  
Cc: agilliam@unitedco.net; Harvey, Jimbill; Michael.Shiley@AIG.com  
Subject: AIG Cross Collateralization Agreement

Tom,

Following up on my voice mail message.

AIG would like to have a conference call with Anita and yourself to discuss your issues with the cross collateral agreement.

Please let me know Anita and your availability either tomorrow or Thursday.

I appreciate your assistance.

Glenn

-----  
Glenn W. McQuate CPCU, ARM  
Senior Vice President

276.619.6055 Office  
276.676.0152 Fax  
276.594.8187 Mobile

# EXHIBIT H

## UNDERWRITERS

Jack D. Stewart  
Executive Vice President

March 20, 2007

Mr. Jim Bill Harvey  
Senior Managing Vice President  
Acordia  
P.O. Box 1567  
Abington, VA 24210

RE: United Coal Company LLC, et al

Dear Jim Bill:

As I'm sure you are aware, we have replaced the current AIG Workers' Compensation contract with one from Old Republic. I'm sure Tom Griffin has informed you of this, at least informally, and asked me to write you directly to bring you up-to-date on these actions.

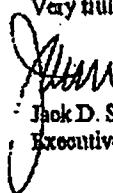
Enclosed is a copy of a binder from Old Republic evidencing this coverage. The certificates have been sent to the workers' compensation authorities in both Virginia and Kentucky to affect this coverage effective November 1, 2006.

With this evidence of coverage in place from Old Republic, Tom Griffin and United is requesting the return of the associated letters of credit and premium for the period of time beginning November 1, 2006. I think that you may know that Tom is out of the city at this time but will be returning on Thursday. I'm sure he will be in contact with you concerning these issues.

Underwriters Safety & Claims will be taking over all claim service with claims with dates of occurrence after November 1, 2006. Gary Gilmour in my office will be contacting you very soon about the transfer of the current files to our office in Big Stone Gap, VA. Meanwhile, any new claim that is reported will be reported to our office here in Louisville.

Jim Bill, there may be other issues to handle. If so, I will be in touch with you by telephone.

Very truly,



Jack D. Stewart  
Executive Vice President

mlt

cc: Gary Gilmour  
Tom Griffin  
Gary Mongilutz


A Full Service Insurance Agency

1700 Eastpoint Parkway • P.O. Box 29780 • Louisville, KY 40228-0780 • Phone (502) 244-1343 • Fax (502) 244-1411

Insurance • Bonds • Third Party Administration



COVERAGE		LIMITS	
PROPERTY	TYPE OF PERILS	COVERAGE FORM	AMOUNT
<input type="checkbox"/> BASIC <input type="checkbox"/> BROAD <input type="checkbox"/> APEO			
INTERNAL LIABILITY		EACH OCCURRENCE	\$
<input type="checkbox"/> DOMESTIC & FOREIGN LIABILITY		AGGREGATE	\$
<input type="checkbox"/> CLAIM FROM <input type="checkbox"/> OCCUR		MINIMUM (Amount Paid)	\$
		PERSONAL & ADVANTAGE	\$
		GENERAL AGREEMENT	\$
		PROBABLE - COMPTON ASS	\$
AUTOMOBILE LIABILITY		DOMESTIC & FOREIGN	\$
<input type="checkbox"/> ANY AUTO		BODILY INJURY (Per Person)	\$
<input type="checkbox"/> ALL OWNED AUTOS		BODILY INJURY (Per Accident)	\$
<input type="checkbox"/> NONOWNED AUTOS		PROPERTY DAMAGE	\$
<input type="checkbox"/> HIREN AUTOS		MEDICAL PAYMENTS	\$
<input type="checkbox"/> NONOWNED AUTOS		PERSONAL INJURY PROT	\$
		UNINSURED MOTORIST	\$
			\$
AUTO PHYSICAL DAMAGE	<input type="checkbox"/> PRODUCTIBLE <input type="checkbox"/> ALL VEHICLES <input type="checkbox"/> SCHEDULED VEHICLES	AUTO PHYSICAL DAMAGE	\$
<input type="checkbox"/> COLLISION		STATED AMOUNT	\$
<input type="checkbox"/> OTHER THAN COLL		OTHER	\$
REAR END LIABILITY		AUTO ONLY - REAR END	\$
<input type="checkbox"/> ANY AUTO		OTHER THAN AUTO ONLY	\$
		EACH ACCIDENT	\$
		AGGREGATE	\$
EXCESS LIABILITY		EACH OCCURRENCE	\$
<input type="checkbox"/> UNIVERSAL FORM		AGGREGATE	\$
<input type="checkbox"/> OTHER THAN UNIVERSAL FORM		SELF INSURING RETENTION	\$
		X UNSTATUTORY LIMITS	\$
WORKERS COMPENSATION		E.L. EACH ACCIDENT	\$ 1,000.00
<input type="checkbox"/> EMPLOYER'S LIABILITY		E.L. DISEASE - EA EMPLOYEE	\$ 1,000.00
		E.L. DISEASE - POLICY LIMIT	\$ 1,000.00
SPECIAL		FEES	\$
COVERAGE		TAXES	\$
		ESTIMATED TOTAL PREMIUM	\$

	<input type="checkbox"/> IDENTICAL	<input type="checkbox"/> ADDITIONAL REQUIRED
	<input type="checkbox"/> LOSS PHOTO	
LOAN#		
AUTHORIZED SIGNATURE  3-16-07		

© AORD CORPORATION 1988

## CONDITIONS

This Company binds the kind(s) of insurance stipulated on the reverse side. The insurance is subject to the terms, conditions and limitations of the policy(ies) in current use by the Company.

This binder may be cancelled by the insured by surrender of this binder or by written notice to the Company stating when cancellation will be effective. This binder may be cancelled by the Company by notice to the insured in accordance with the policy conditions. This binder is cancelled when replaced by a policy. If this binder is not replaced by a policy, the Company is entitled to charge a premium for the binder according to the Rules and Rates in use by the Company.

### Applicable in California

When this form is used to provide insurance in the amount of one million dollars (\$1,000,000) or more, the title of the form is changed from "Insurance Binder" to "Cover Note".

### Applicable in Delaware

The mortgagee or Obligor of any mortgage or other instrument given for the purpose of creating a lien on real property shall accept as evidence of insurance a written binder issued by an authorized insurer or its agent. If the binder includes or is accompanied by: the name and address of the borrower; the name and address of the lender as loss payee; a description of the insured real property; a provision that the binder may not be canceled within the term of the binder unless the lender and the insured borrower receive written notice of the cancellation at least ten (10) days prior to the cancellation; except in the case of a renewal of a policy subsequent to the closing of the loan, a paid receipt of the full amount of the applicable premium, and the amount of insurance coverage.

Chapter 21 Title 25 Paragraph 2119

### Applicable in Florida

Except for Auto Insurance coverage, no notice of cancellation or nonrenewal of a binder is required unless the duration of the binder exceeds 60 days. For auto insurance, the insurer must give 5 days prior notice, unless the binder is replaced by a policy or another binder in the same company.

### Applicable in Nevada

Any person who refuses to accept a binder which provides coverage of less than \$1,000,000.00 when proof is required: (A) Shall be fined not more than \$500.00, and (B) is liable to the party presenting the binder as proof of insurance for actual damages sustained therefrom.

ACORD 76 (2/91/01)

<b>ACORD CANCELLATION REQUEST / POLICY RELEASE</b>				DATE (MM/DD/YYYY) 08/07/2007	
<b>PRODUCER</b> ACORDIA OF WV-BLUEFIELD 303 FEDERAL STREET P O BOX 1430 BLUEFIELD, WV 24201		<b>PHONE</b> 804-927-3421		<b>COMPANY NAME AND ADDRESS</b> AKG - AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY	
<b>ADDRESS</b> UNITED COAL COMPANY P O BOX 1280 BRISTOL, VA 24203		<b>POLICY TYPE</b> WORKERS COMPENSATION		<b>CANCELLED POLICY INFORMATION</b> <b>POLICY NUMBER</b> 7208431	
<b>EFFECTIVE DATE AND HOUR OF CANCELLATION</b> 11/1/06		<b>CANCELLATION DATE</b> 11/1/06		<b>TIME</b> 12:01 <input checked="" type="checkbox"/> AM <input type="checkbox"/> PM	
<b>POLICY TERM</b> 11/01/2006		<b>EFFECTIVE DATE</b> 11/01/2006		<b>EXPIRATION DATE</b> 11/01/2007	
<input type="checkbox"/> CANCELLATION REQUEST (Policy attached) <input checked="" type="checkbox"/> POLICY RELEASE (Complete Statement Section Below)					
<p style="text-align: center;"><b>POLICY RELEASE STATEMENT</b></p> <p>The undersigned agrees that:</p> <p style="margin-left: 40px;">The above referenced policy is lost, destroyed or being retained.</p> <p style="margin-left: 40px;">No claims of any type will be made against the Insurance Company, its agents or its representatives, under this policy for losses which occur after the date of cancellation shown above.</p> <p style="margin-left: 40px;">Any premium adjustment will be made in accordance with the terms and conditions of the policy.</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%;"> <p><i>Barbara L. Brown</i> 11-1-06</p> <p>WITNESS DATE</p> </div> <div style="width: 45%;"> <p><i>[Signature]</i> 11-01-06</p> <p>SIGNATURE OF NAMED INSURED DATE</p> </div> </div> <div style="margin-top: 20px;"> <p>WITNESS DATE SIGNATURE OF NAMED INSURED DATE</p> <p><input type="checkbox"/> LIEN HOLDER <input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LOSS PAYEE AUTHORIZED SIGNATURE TITLE DATE</p> <p><input type="checkbox"/> LIEN HOLDER <input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LOSS PAYEE AUTHORIZED SIGNATURE TITLE DATE</p> </div>					
<b>FOR AGENCY/COMPANY USE</b>					
<b>REASON FOR CANCELLATION</b> <input checked="" type="checkbox"/> NOT TAKEN <input type="checkbox"/> REQUESTED BY INSURED <input type="checkbox"/> REPLACED		<b>METHOD OF CANCELLATION</b> <input checked="" type="checkbox"/> FLAT <input type="checkbox"/> SHORT RATE <input type="checkbox"/> PRO RATA			
<b>COMPANY</b> OLD REPUBLIC INSURANCE COMPANY		<b>POLICY NUMBER</b> 11108-07		<b>EFFECTIVE DATE</b> 11/1/06	
<b>REMARKS</b>		<b>PRELIMINARY CALCULATION</b>		<b>FULL TERM PREMIUM</b>	
<p><small>New York Only: If you do not keep your auto insurance in force during the entire registration period, your motor vehicle registration will be suspended. If your vehicle is still uninsured after 60 days, your driver's license will be suspended. To avoid these penalties, you must surrender your registration certificate and plates before your insurance expires. By law, we must report the termination of auto insurance coverage to the Department of Motor Vehicles.</small></p>					
<b>REQUEST/RELEASE DISTRIBUTION</b>					
<b>NAME AND ADDRESS</b>		<input type="checkbox"/> INSURED <input type="checkbox"/> LOSS PAYEE <input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LIEN HOLDER <input type="checkbox"/> COMPANY <input type="checkbox"/> FINANCE COMPANY			
<b>PRODUCER'S SIGNATURE</b>					<b>DATE</b>

ACORD 35 (1/97)

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# EXHIBIT I



133 Oakland Avenue  
P.O. Box 789  
Greensburg, Pennsylvania 15601-0789  
Phone: (724) 834-5000  
Fax: (724)-834-4025

April 19, 2007

Virginia Workers Compensation Commission  
1000 DMZ Drive  
Richmond VA 23220

RE: United Coal, LLC

Dear Sirs:

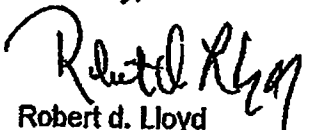
I am sending you this letter at the request of our insured United Coal, LLC and our agent Underwriters Safety & Claims, Inc. (US&C) to remove any confusion the Virginia Workers Compensation Commission may have that duplicate coverage is in effect.

Old Republic has issued a Workers Compensation policy effective November 1, 2006 to replace and substitute for a policy that had been provided by National Union Fire (AIG).

I have attached a copy of the information page of our policy OBC 01777702, along with a schedule of locations listed under the policy. A complete copy of the policy is available upon request.

We ask that you also note in your file that we have contracted with US&C to handle all claims, except Occupational Disease, that have or may occur under our policy. To my knowledge all current claims have been transferred to US&C's office in Big Stone Gap Virginia and all payments are current.

Sincerely,

  
Robert d. Lloyd  
Assistant Vice President

ks

cc: Jack Stewart – Executive Vice President US&C  
Tom Griffen – Vice President – Risk Management United Coal, LLC

# EXHIBIT J



188 Oakland Avenue  
P.O. Box 789  
Greensburg, Pennsylvania 15601-0789  
Phone: (724) 834-6000  
Fax: (724)-834-4025

April 24, 2007

MS CARLA MONTGOMERY  
KENTUCKY OFFICE OF WORKERS CLAIMS  
657 CHAMBERLIN AVE  
FRANKFORT KY 40601

RE: United Coal, LLC

Dear Ms. Montgomery:

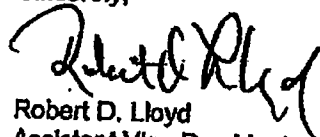
I am sending you this letter at the request of our insured United Coal, LLC and our agent Underwriters Safety & Claims, Inc. (US&C) to remove any confusion the Kentucky Office of Worker Claims may have that duplicate coverage is in effect.

Old Republic has issued a Workers Compensation policy effective November 1, 2006 to replace and substitute for a policy that had been provided by National Union Fire (AIG).

I have attached a copy of the information page of our policy OBC 01777702, along with a schedule of locations listed under the policy. A complete copy of the policy is available upon request.

We ask that you also note in your file that we have contracted with US&C to handle all claims, except Occupational Disease, that have or may occur under our policy. To my knowledge all current claims have been transferred to US&C's office in Big Stone Gap Virginia and all payments are current.

Sincerely,

  
Robert D. Lloyd  
Assistant Vice President

ks

cc: Jack Stewart – Executive Vice President US&C  
Tom Griffen – Vice President – Risk Management United Coal, LLC

# **EXHIBIT K**



DVO GENERAL COUNSEL

ERNIE FLETCHER  
GOVERNOR

TERESA J. HILL  
SECRETARY



ENVIRONMENTAL AND PUBLIC  
PROTECTION CABINET

OFFICE OF LEGAL SERVICES  
WORKERS' CLAIMS LEGAL DIVISION  
657 CHANCELLER AVENUE  
FRANKFORT, KENTUCKY 40601  
TELEPHONE (502) 564-3539  
FAX (502) 564-3551  
www.kentucky.gov

May 10, 2007

AIG

American International South Insurance Co.  
427 South 4<sup>th</sup> Street, Suite 400  
P. O. Box 70089  
Louisville, Kentucky 40202

Dear Sir or Madam:

It has come to the attention of the Kentucky Office of Workers' Claims that an employer, United Coal Company LLC, has obtained workers' compensation coverage from Old Republic effective November 1, 2006. After placing coverage with Old Republic, United Coal requested that their policy with your insurance company be cancelled for the period beginning November 1, 2006.

Pursuant to KRS 342.340(2) and 603 KAR 26:176, AIG is required to file a notice of cancellation with the Office of Workers' Claims. If you fail to comply with these requirements, your company may be subject to a civil penalty pursuant to KRS 342.990(7)(c). Please immediately file the appropriate documents with our agency to avoid a potential civil penalty. Thank you for your immediate attention to this matter.

Sincerely,

Caria H. Montgomery  
General Counsel

CHM/mbm



KentuckyUnbridledSpirit.com

An Equal Opportunity Employer M/F/D

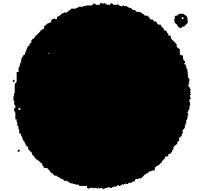
07/25/2007

10:31 AM

COMPLAINT 180

# **EXHIBIT L**

# The United Company



1005 Glenway Avenue  
Bristol, VA 24201

(278) 645-1416 - Tel  
(278) 645-1404 - Fax  
(423) 534-8352 - Cell  
tgriffin@unitedco.net

June 7, 2007

Mr. Thomas Morelli  
President  
AIG Global Marine & Energy  
AIG Global Energy Casualty  
175 Water Street  
New York, NY 10038

RE: The United Company  
United Coal Company  
Policy #: WC 72094  
Effective: 11-1-06  
Insurer: American International South Insurance Company  
No Claims Letter

Dear Tom:

I appreciate that you and Mark Pasko called Pete Lunati on May 30, 2007. The conversation was most helpful. An acceptable No Claim letter format has been requested from you and Mark Pasko on a number of occasions. Since United has not been provided the No Claim letter terms of information, this letter is United's agreement.

As previously stated, Old Republic Insurance Company has agreed to assume all liability for any claims from November 1, 2006 forward. The States of Virginia and Kentucky have agreed to accept Old Republic Insurance Company as the Insurer of record for all workers compensation and Black Lung claims occurring on or after November 1, 2006. United Coal Company does not intend to make any claim under the terms of the AIG policy noted above. AIG Global Energy has paid no claims, as Old Republic has effectively agreed to accept all claims from November 1, 2006 forward.

United looks forward to receiving confirmation as to AIG accepting this No Claim letter in an effort to resolve the requested cancellation.

Best regards,

Thomas D. Griffin  
Vice President, Risk Management

# CHARTER

## INSURANCE & CONSULTING, INC.

P. O. Box 421159  
Atlanta, GA 30342  
(404) 256-7900  
(404) 256-9257 FAX  
(404) 513-9700 Cell  
E-mail address: [pjl@charterenergy.com](mailto:pjl@charterenergy.com)  
Web Site: [www.charterenergy.com](http://www.charterenergy.com)

June 7, 2007

Mr. Thomas Morelli  
President  
AIG Global Marine & Energy  
AIG Global Energy Casualty  
175 Water Street  
New York, NY 10038

RE: The United Company / United Coal Company  
Insurer: American International South Insurance Company  
Policy #: WC 72094  
Effective: 11-1-06  
No Claims Letter

Dear Tom:

The enclosed letter from Tom Griffin, Risk Manager for The United Company, should be the last area of concern regarding the cancellation of the captioned workers comp policy. The United Company had requested an acceptable format to be used as a no claims letter, but since they have not received a response to that request, trust that the attached letter will be accepted.

In United's efforts to have the policy cancelled flat as requested in the Acord 35 Cancellation form sent to AIG on May 7, 2007, they contacted Mike Foglio of AICCO, Inc. Mr. Foglio advised that as per the financing agreement contract, they merely act as the banking entity and take their direction from the insurer. Since the cancellation request had been tendered to AIG Global Energy some time ago, he was surprised that instruction to return premium following policy cancellation processing had not been received. When the instructions are received from AIG, AICCO will process the return premium payment.

The United Company's Chairman has been monitoring this issue since late February. The Risk Manager has been requesting cancellation in letters since February and forwarded the Cancellation Request form 30 days ago.

United would like to maintain a long term relationship with AIG/Lexington, but at present there is a hold on all AIG insurance placements until this can be resolved. Charter Insurance is not the

Page 2

broker on this policy, but since we do place a number of AIG/Lexington policies for them, United has requested our assistance in bringing this to resolution. The current broker has not chosen to become involved in resolving this matter.

We would hope that you will accept this no claims letter as confirmation that AIG will not be responsible for any claims from November 1, 2006 moving forward since coverage was replaced by Old Republic. This needs to come to resolution now so that business can proceed and the relationships can be resumed.

We look forward to receiving your decision as soon as possible.

Sincerely,

Peter J. Lunati

cc: Mark T. Pasko  
Division Counsel AIG  
175 Water Street, 15<sup>th</sup> Floor  
New York, NY 10038

Mike Foglio  
AICCO, Inc.  
101 Hudson Street, Floor 33  
Jersey City, NJ 07302

# **EXHIBIT M**



**IMPERIAL  
A.I. CREDIT  
COMPANIES®**

## NOTICE OF INTENT TO CANCEL INSURANCE POLICIES

PAGE 1 OF 1

**XX**

The United Company  
1005 Glenway Avenue  
BRISTOL VA 24201-3473

**Insured**

The United Company  
1005 Glenway Avenue  
Bristol VA 24201

**Agent or Broker**

Wells Fargo (#3344) Insurance Services o  
PO Box 1439  
320 Federal St.  
Bluefield WV 24701

Delinquent Payment Information					
Date of Notice and Mailing	Account Number	Installment(s) Past Due	Unpaid Late Charges	Total Due	Expiration Date
07/10/2007	15-006-041600-3	258,363.44	12,918.17	271,281.61	07/22/2007

Schedule of Policies				
Insurance Company	Policy Number	Term in Months	Effective Date	Premium
American Int'l South Ins Co	7209431	12	11/01/2006	1,259,123.00
State Tax				124,293.00

of the date of this notice you are in default on your loan and are hereby notified of our intent to cancel. Unless payment is received in our office by the expiration date  
wn above, we will effect cancellation of your policy or policies as listed above and on your premium finance agreement with this company. This notice is issued pursuant  
ur power of attorney executed by you. Protect your interest by mailing your check for the total due. You may pay the Balance Due online through the IACC website at  
i.iaicc.com. Online payments received after 9:00 PM EST will be posted to your account on the next business day. This is your final notice (N.C.G.S.58-38-65; VA.6-4).  
**Important:** In the event the insurance financed under this agreement was previously cancelled, this notice is not a confirmation that coverage  
been reinstated, but only a notice of payment due. Confirmation of reinstatement can only be provided by your insurance carrier(s).

**See Reverse Side For Important Information**

PFSUSANTE2005 A/E32



**IMPERIAL  
A.I. CREDIT  
COMPANIES®**

# NOTICE OF INTENT TO CANCEL INSURANCE POLICIES

Date of Notice and Mailing	Account Number	Installment Number	Due Date	Installment(s) Due	Late Charge	Total Due
7/10/2007	15-006-041600-3	3	07/01/2007	258,363.44	12,918.17	271,281.61

**XX**

AICCO, Inc.  
Box 9045  
New York NY 10087-9045

\_\_\_\_\_

**Make your check payable to:  
AICCO, Inc.  
Put your account number on  
your check and mail it with this  
notice to the appropriate P.O. box**

150060416003025836344202712816177

ពាក្យទី១៥-ពាក្យ-មក-ព័ត៌មាន-។

JS 44 (Rev. 11/04)

**CIVIL COVER SHEET**

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

**I. (a) PLAINTIFFS**

The United Company, Sapphire Coal Company and Wellmore Coal Company

(b) County of Residence of First Listed Plaintiff Bristol County, VA  
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)

Samuel D. Hinkle IV, Esq., Stoll Keenon Ogden PLLC, 500 W. Jefferson St., 2000 PNC Plaza, Louisville, KY 40202

**DEFENDANTS**

American International Group, Inc. a/k/a American International South Ins. Co., Imperial A.I. Credit Companies d/b/a A.I. Credit Corp., National Union Fire Ins. Co. of Pittsburgh, PA

County of Residence of First Listed Defendant New York County, NY

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

**II. BASIS OF JURISDICTION** (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff ☐ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant ☒ 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES** (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- |   |                            |                            |   |                                       |                                       |
|---|----------------------------|----------------------------|---|---------------------------------------|---------------------------------------|
|   | PTF                        | DEF                        |   | PTF                                   | DEF                                   |
| Citizen of This State                   | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State     | <input type="checkbox"/> 4            | <input type="checkbox"/> 4            |
| Citizen of Another State                | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input checked="" type="checkbox"/> 5 | <input checked="" type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation  | <input type="checkbox"/> 6            | <input type="checkbox"/> 6            |

**IV. NATURE OF SUIT** (Place an "X" in One Box Only)

<b>CONTRACT</b>	<b>TORTS</b>	<b>FOREFEITURE/PENALTY</b>	<b>BANKRUPTCY</b>	<b>OTHER STATUTES</b>
<input checked="" type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <b>PERSONAL INJURY</b> <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other <b>LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <b>FEDERAL TAX SUITS</b> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
<b>REAL PROPERTY</b>	<b>CIVIL RIGHTS</b>	<b>PRISONER PETITIONS</b>		
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition		

**V. ORIGIN**

(Place an "X" in One Box Only)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Brief description of cause:

Declaration that no contract exists

**VII. REQUESTED IN COMPLAINT:**
☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 DEMAND \$ more than \$75,000

CHECK YES only if demanded in complaint:

JURY DEMAND: ☒ Yes ☐ No**VIII. RELATED CASE(S) IF ANY**

(See instructions):

JUDGE

DOCKET NUMBER

DATE

March 7, 2008

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT #

AMOUNT

APPLYING IFP

JUDGE

MAG. JUDGE



UNITED STATES DISTRICT COURT

Eastern

District of

Kentucky

The United Company, Sapphire Coal Company  
and Wellmore Coal Company

SUMMONS IN A CIVIL ACTION

V.

American International Group, Inc. a/k/a  
American International South Ins. Co., Imperial  
A.I. Credit Companies d/b/a A.I Credit Corp.,  
National Union Fire Ins. Co. of Pittsburgh, PA

CASE NUMBER:

TO: (Name and address of Defendant)

Imperial A.I. Credit Companies  
d/b/a A.I. Credit Corporation  
101 Hudson Street  
33rd and 34th Floors  
Jersey City, New Jersey 07302

Serve: The Prentice Hall Corporation System  
421 W. Main Street  
Frankfort, KY 40601

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Samuel D. Hinkle IV, Esq.  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202

an answer to the complaint which is served on you with this summons, within Twenty (20) days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

CLERK

DATE

(By) DEPUTY CLERK

AO 440 (Rev. 8/01) Summons in a Civil Action

<b>RETURN OF SERVICE</b>		
Service of the Summons and complaint was made by me <sup>(1)</sup>	DATE	
NAME OF SERVER ( <i>PRINT</i> )	TITLE	
<i>Check one box below to indicate appropriate method of service</i>		
<div style="margin-bottom: 10px;"><input type="checkbox"/> Served personally upon the defendant. Place where served:</div> <div style="margin-bottom: 10px;"> <input type="checkbox"/> Left copies thereof at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion then residing therein.            Name of person with whom the summons and complaint were left:         </div> <div style="margin-bottom: 10px;"><input type="checkbox"/> Returned unexecuted:</div> <div><input type="checkbox"/> Other (specify):</div>		
<b>STATEMENT OF SERVICE FEES</b>		
TRAVEL	SERVICES	TOTAL \$0.00
<b>DECLARATION OF SERVER</b>		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <p>Executed on _____  <div style="display: flex; justify-content: space-between; width: 100%;"> <span>Date</span> <span>Signature of Server</span> </div>   <div style="text-align: center; margin-top: 20px;">           _____  <i>Address of Server</i> </div> </p>		

(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.

UNITED STATES DISTRICT COURT

Eastern

District of

Kentucky

The United Company, Sapphire Coal Company  
and Wellmore Coal Company

SUMMONS IN A CIVIL ACTION

V.

American International Group, Inc. a/k/a  
American International South Ins. Co., Imperial  
A.I. Credit Companies d/b/a A.I Credit Corp.,  
National Union Fire Ins. Co. of Pittsburgh, PA

CASE NUMBER:

TO: (Name and address of Defendant)

American International Group, Inc.  
a/k/a American International South Ins. Co.  
70 Pine Street  
New York, New York 10270

Serve: Kentucky Secretary of State  
700 Capital Avenue, Suite 86  
Frankfort, KY 40601

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Samuel D. Hinkle IV, Esq.  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202

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TRAVEL	SERVICES	TOTAL \$0.00
<b>DECLARATION OF SERVER</b>		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <p>Executed on _____ Date _____ Signature of Server _____</p> <p style="text-align: center; margin-top: 20px;">_____ Address of Server</p>		

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UNITED STATES DISTRICT COURT

Eastern

District of

Kentucky

The United Company, Sapphire Coal Company  
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SUMMONS IN A CIVIL ACTION

V.

American International Group, Inc. a/k/a  
American International South Ins. Co., Imperial  
A.I. Credit Companies d/b/a A.I Credit Corp.,  
National Union Fire Ins. Co. of Pittsburgh, PA

CASE NUMBER:

TO: (Name and address of Defendant)

American International Group, Inc.  
a/k/a American International South Ins. Co.  
4201 Congress Street # 455  
Charlotte, NC 28209

Serve: CSC Lawyers Incorporating Service Co.  
421 West Main Street  
Frankfort, KY 40601

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Samuel D. Hinkle IV, Esq.  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202

an answer to the complaint which is served on you with this summons, within Twenty (20) days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

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<b>STATEMENT OF SERVICE FEES</b>		
TRAVEL	SERVICES	TOTAL \$0.00
<b>DECLARATION OF SERVER</b>		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <p>Executed on _____  <div style="display: flex; justify-content: space-around; width: 100%;"> <span>Date</span> <span>Signature of Server</span> </div>   <div style="text-align: center; margin-top: 20px;">           _____  <i>Address of Server</i> </div> </p>		

(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.

UNITED STATES DISTRICT COURT

Eastern

District of

Kentucky

The United Company, Sapphire Coal Company  
and Wellmore Coal Company

SUMMONS IN A CIVIL ACTION

V.

American International Group, Inc. a/k/a  
American International South Ins. Co., Imperial  
A.I. Credit Companies d/b/a A.I Credit Corp.,  
National Union Fire Ins. Co. of Pittsburgh, PA

CASE NUMBER:

TO: (Name and address of Defendant)

National Union Fire Insurance Company  
of Pittsburgh, Pennsylvania  
70 Pine Street  
New York, New York 10270

Serve: CSC Lawyers Incorporating Service Co.  
421 West Main Street  
Frankfort, KY 40601

**YOU ARE HEREBY SUMMONED** and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Samuel D. Hinkle IV, Esq.  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202

an answer to the complaint which is served on you with this summons, within Twenty (20) days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

CLERK

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<b>STATEMENT OF SERVICE FEES</b>		
TRAVEL	SERVICES	TOTAL \$0.00
<b>DECLARATION OF SERVER</b>		
<p style="text-align: center;">I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> Executed on _____  Date </div> <div style="width: 60%;"> _____  <i>Signature of Server</i> </div> </div>  <div style="text-align: center;"> _____  <i>Address of Server</i> </div>		

(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.



## **Civil Case Assignment**

Case number 7:08CV-43

Assigned : Judge Amul R Thapar  
Judge Code : 4317

Assigned on 03/07/2008

Request New Judge